EMTHANJENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2014

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

General information

Members of the Council:

ST Sthonga	Mayor
MM Freddie	Speaker
	Member
AF Jaftha	Member
J Jood	Member
VG Jonas	Member
MC Kivedo	Member
M Malherbe	Member
GL Nkumbi	Member
GL Nyl	Member
HJ Rust	Member
B Swanepoel	Member
NS Thomas	Member
WA Witbooi	Member

Municipal Manager:	I Visser
Chief Financial Officer:	MF Manuel
Grading of Local Authority:	Grade 2
Auditors:	Auditor-General
Bankers:	ABSA Bank Limited
Registered Office:	45 Voortrekker Street De Aar 7000
Physical address:	45 Voortrekker Street De Aar 7000
Postal address:	PO Box 42 De Aar 7000
Telephone number:	(053) 632 9100
Fax number:	(053) 631 0105

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 96, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: I Visser

31 August 2014

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Emthanjeni Local Municipality at 30 June 2014.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2013/14 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2014 indicates an increase in Net Assets and Non-current Liabilities, and a decrase in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2014	2013
Surplus / (Deficit) before Appropriations	(66,393,482)	(47,442,435)
Surplus / (Deficit) at the end of the Year	954,480,039	1,020,873,521
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	22.27%	26.22%
Remuneration of Councillors	1.55%	1.72%
Collection Costs	0.00%	0.03%
Depreciation and Amortisation	25.15%	31.95%
Impairment Losses	19.87%	3.19%
Repairs and Maintenance	4.54%	5.56%
Interest Paid	0.32%	0.48%
Bulk Purchases	16.19%	18.01%
Contracted Services	2.60%	3.37%
Grants and Subsidies Paid	0.08%	0.14%
General Expenses	7.34%	9.27%
Loss on Disposal of Property, Plant and Equipment	0.00%	0.03%
Loss on Sale of Land	0.08%	0.00%
Inventory Written-off	0.02%	0.02%
Current Ratio:		
Trade Creditors Days	0 days	0 days
Consumber Days	121 days	170 days

2.2 Performance Indicators:

INDICATOR	2014	2013
Borrowing Management:		
Capital Charges to Operating Expenditure	1.25%	1.54%
Capital Charges to Own Revenue	0.00%	0.00%
Borrowed Funding to Own Capital Expenditure	0.00%	0.00%
Borrowing to Total Capital Assets	0.00%	0.00%
Safety of Capital:		
Gearing	0.34%	0.59%
Liquidity:		
Current Ratio	3.04	3.41
Liquidity Ratio	0.31	0.42
Revenue Management:		
Current Debtors Collection Rate	86.78%	81.78%
Creditors Management:		
Creditors to Cash and Investments	100.98%	66.90%

For detailed ratio analysis and explanation regarding these refer to appendix H attached.

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix E (1).

The services offered by Emthanjeni Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2014 are as follows:

DETAILS	Actual 2014 R	Actual 2013 R	Percentage Variance %	Budgeted 2014 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	1,018,620,728	1,067,251,263	-5%	-	100%
Operating income for the year	202,529,102	167,864,845	21%	-	100%
	1,221,149,830	**1,235,116,108**		-	
Expenditure:					
Operating expenditure for the year	268,922,584	215,307,280	25%	-	100%
Sundry transfers	-	1,188,100	-100%	-	100%
Closing surplus / (deficit)	952,227,246	1,018,620,728	-7%	-	100%
	1,221,149,830	**1,235,116,108**		-	

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below.The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2014 R	Actual 2013 R	Percentage Variance %	Budgeted 2014 R	Variance actual/ budgeted %
Income	85,789,084	56,660,867	51%	65,343,845	31%
Expenditure	(121,025,294)	(94,769,715)	28%	(81,339,456)	49%
Surplus / (Deficit)	(35,236,210)	(38,108,847)		(15,995,611)	
Surplus / (Deficit) as % of total income	(41.07)%	(67.26)%		(24.48)%	

Variance from 2013 actual:
In the current financial year the municipality introduced the 'new' valuation roll which resulted in an increase of Proerty Rates levied. This together with the Grants and Subsidies realised (conditions met), resulted in the 24% increase.

Variance from 2014 budget:
No material fluctuation was identfiied between the actual and budgeted revenue figures. The significant increase in the actual expenditure versus the budgeted expenditure is the result in an increase in the provision for doubtful debt and the annual depreciation expense (non-cash flow items).

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2014 R	Actual 2013 R	Percentage Variance %	Budgeted 2014 R	Variance actual/ budgeted %
Income	488,759	1,219,589	-60%	520,177	-6%
Expenditure	(4,087,918)	(4,842,947)	-16%	(2,095,671)	95%
Surplus / (Deficit)	(3,599,159)	(3,623,358)		(1,575,494)	
Surplus / (Deficit) as % of total income	(736.39)%	(297.10)%		(302.88)%	

Variance from 2013 actual:
The decrease in the current year figures in comparison to the previous year's actuals are attributable to less Housing Project related expenses being incurred by the municipality. The decrease in revenue in mainly the result of the significant decrease in the Housing Accreditation received during the year.

Variance from 2014 budget:
The increase in the actual expenditure in comparison to the budgeted expenditure is due to the Housing Projects undertaken by the municipality. No material fluctuations were identified betwene the revenue figures.

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2014 R	Actual 2013 R	Percentage Variance %	Budgeted 2014 R	Variance actual/ budgeted %
Income	29,854,516	28,208,577	6%	25,138,635	19%
Expenditure	(28,393,167)	(18,700,069)	52%	(18,510,493)	53%
Surplus / (Deficit)	1,461,350	9,508,509		6,628,142	
Surplus / (Deficit) as % of total income	4.89%	33.71%		26.37%	

3.3 Waste Management Services (continued):

Variance from 2013 actual:
No material fluctuations were identified between the revenue figures, whilst the significant increase in the current year's expenditure amount the result is of the signifcant increase in the provision for bad debts, which were made at yearend.

Variance from 2014 budget:
No material fluctuations were identified between the revenue figures, whilst the significant increase in the current year's expenditure amount the result is of the signifcant increase in the provision for bad debts, which were made at yearend.

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R42 152 616 (2013: R37 634 290). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2014 R	Actual 2013 R	Percentage Variance %	Budgeted 2014 R	Variance actual/ budgeted %
Income	60,589,837	52,351,708	16%	67,844,758	-11%
Expenditure	(82,530,035)	(74,675,636)	11%	(55,600,629)	48%
Surplus / (Deficit)	(21,940,198)	(22,323,928)		12,244,129	
Surplus / (Deficit) as % of total income	(36.21)%	(42.64)%		18.05%	

Variance from 2013 actual:
No material fluctuation was identfiied between the current actual and prior year figures. The increases are attributable to the annual tariff increase, whilst the price per electricity unit purchased also increased in comparison to that of the prior year.

Variance from 2014 budget:
No material fluctuation was identfiied between the actual and budgeted revenue figures. The significant increase in the current year's expenditure amount the result is of the signifcant increase in the provision for bad debts, which were made at yearend.

3.5 Water Services:

Water is purchased from various sources. and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R1 382 964 (2013: R1 147 195). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2014 R	Actual 2013 R	Percentage Variance %	Budgeted 2014 R	Variance actual/ budgeted %
Income	25,603,450	29,105,012	-12%	23,322,007	10%
Expenditure	(32,682,715)	(21,999,822)	49%	(9,952,989)	228%
Surplus / (Deficit)	(7,079,266)	7,105,190		33,274,996	
Surplus / (Deficit) as % of total income	(27.65)%	24.41%		142.68%	

Variance from 2013 actual:
The significant increase in the current year's expenditure amount the result is of the signifcant increase in the provision for bad debts, which were made at yearend.

Variance from 2014 budget:
No material fluctuation was identfiied between the actual and budgeted revenue figures. The significant increase in the current year's expenditure amount the result is of the signifcant increase in the provision for bad debts, which were made at yearend, and the depreciation expense (which was not budgeted for).

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R21 457 449 (2013: R13 554 005). Full details of Assets are disclosed in Notes 9, 10, 11 and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R21 457 449 was financed as follows:

DETAILS	Actual 2014 R	Actual 2013 R	Percentage Variance %	Budgeted 2014 R	Variance actual/ budgeted %
Grants and Subsidies	19,396,197	12,072,248	61%	12,882,000	51%
Own Funds (Accumulated Surplus)	2,061,253	1,481,757	39%	7,951,000	-74%
	21,457,449	**13,554,005**		**20,833,000**	

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2014	2013
Grants and Subsidies	90%	89%
Own Funds (Accumulated Surplus)	10%	11%
	100%	**100%**

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1 Operating Budget:

DETAILS	2014	2013
Variance per Category:		
Budgeted surplus before appropriations	(10,356,327)	9,278,387
Revenue variances	20,359,680	(6,756,867)
Expenditure variances:		
Employee Related Costs	1,822,845	(3,015,011)
Remuneration of Councillors	(440,560)	(190,533)
Collection Costs	1,696,003	(66,492)
Depreciation and Amortisation	(59,174,826)	(60,857,860)
Impairment Losses	(44,798,281)	120,320
Repairs and Maintenance	7,491,057	(957,394)
Interest Paid	174,526	79,984
Bulk Purchases	(1,530,855)	2,658,515
Contracted Services	148,842	(764,757)
Grants and Subsidies Paid	14,700,511	10,407,320
General Expenses	3,784,019	2,737,196
Loss on disposal of Property, Plant and Equipment	-	(75,338)
Loss on Sale of Land	(203,456)	-
Inventory Written-off	(66,661)	(39,905)
Actual surplus before appropriations	**(66,393,482)**	**(47,442,435)**

4.1 Operating Budget (continued):

DETAILS	2014	2013
Variance per Service Segment:		
Budgeted surplus before appropriations	(10,036,275)	9,276,928
Executive and Council	(231,964)	(6,019,043)
Finance and Administration	(1,141,121)	5,674,279
Planning and Development	(10,308,084)	(25,647,370)
Health	(900,567)	(883,667)
Community and Social Services	(15,032,934)	1,365,803
Housing	(2,023,665)	(1,504,515)
Public Safety	22,623,390	2,347,295
Sport and Recreation	368,217	473,971
Environmental Protection	-	-
Waste Management	(5,166,792)	(1,643,598)
Roads and Transport	9,508,023	(2,012,024)
Water	(20,448,284)	(4,342,890)
Electricity	(34,184,327)	(25,094,506)
Other	580,900	566,901
Actual surplus before appropriations	(66,393,483)	(47,442,435)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

4.2 Capital Budget:

DETAILS	Actual 2014 R	Actual 2013 R	Variance actual 2014 R	Budgeted 2014 R	Variance actual/ budgeted R
Executive and Council	585,487	86,057	499,429	498,000	87,487
Finance and Administration	199,452	432,344	(232,892)	1,959,000	(1,759,548)
Planning and Development	499,643	5,307	494,336	11,844,000	(11,344,357)
Community and Social Services	62,903	856,104	(793,201)	744,000	(681,097)
Health	-	-	-	21,000	(21,000)
Housing	713,769	1,781	711,988	510,000	203,769
Public Safety	-	293,999	(293,999)	-	-
Sport and Recreation	-	41,775	(41,775)	101,000	(101,000)
Roads and Transport	15,401,315	2,042,735	13,358,580	3,219,000	12,182,315
Electricity	2,313,622	3,145,499	(831,877)	505,000	1,808,622
Waste Management	-	-	-	357,000	(357,000)
Water	1,681,260	6,814,963	(5,133,703)	1,076,000	605,260
	21,457,449	13,720,564	7,736,885	20,834,000	623,449

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (2)".

5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2014 amounted to R954 480 039 (2013: R1 020 873 521) and is made up as follows:

Capital Replacement Reserve	2,252,793
Accumulated Surplus	952,227,246
	954,480,039

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2014 was R3 230 938 (2013: R8 492 623).

Refer to Note 20 and Appendix "A" for more detail.

7. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2014 was R34 020 228 (2013: R31 352 175).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 21 for more detail.

8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R6 637 053 as at 30 June 2014 (2013: R5 971 053) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	6,637,053
	6,637,053

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 22 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R38 764 946 as at 30 June 2014 (2013: R40 848 232) and is made up as follows:

Consumer Deposits	Note 14	1,949,136
Provisions	Note 15	1,413,504
Payables from Exchange Transactions	Note 16	12,329,470
Payables from Non-exchange Transactions	Note 17	1,552,637
Unspent Conditional Grants and Receipts	Note 18	6,837,471
Bank Overdraft	Note 19	11,924,753
Current Portion of Long-term Liabilities	Note 20	2,757,975
		38,764,946

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations. Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R913 923 422 as at 30 June 2014 (2013: R960 146 208).

Refer to Note 9 and Appendices "B, C and E (2)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R383 792 as at 30 June 2014 (2013: R538 049).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 and Appendix "B" for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R5 004 000 as at 30 June 2014 (2013: R5 004 000).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 11 and Appendix "B" for more detail.

15. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R21 088 as at 30 June 2014 (2013: 13 980).

Refer to Note 12 for more detail.

15. LONG-TERM RECEIVABLES

Long-term Receivables of R1 164 at 30 June 2014 (2013: R1 164) is made up as follows:

Other Loans	1,164
	1,164

Refer to Note 13 for more detail.

16. CURRENT ASSETS

Current Assets amounted R117 736 497 as at 30 June 2014 (2013: R139 254 498) and is made up as follows:

Inventories	Note 2	64,940,812
Receivables from Exchange Transactions	Note 3	30,488,661
Receivables from Non-exchange Transactions	Note 4	9,802,251
VAT Receivable	Note 5	262,780
Cash and Cash Equivalents	Note 6	12,210,203
Operating Lease Assets	Note 7	31,791
		117,736,497

The decrease in the amount for Current Assets is mainly due to the decreased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

17. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 18 and 25, and Appendix "F" for more detail.

18. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 57.

19. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER
31 August 2014

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

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EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	Actual 2014 R	2013 R
ASSETS			
Current Assets		**117,736,497**	**139,254,498**
Inventories	2	64,940,812	65,305,530
Non-current Assets Held-for-Sale	3	-	71,732
Receivables from Exchange Transactions	4	30,488,661	46,603,596
Receivables from Non-exchange Transactions	5	9,802,251	10,051,550
VAT Receivable	6	262,780	-
Cash and Cash Equivalents	7	12,210,203	17,196,489
Current Portion of Operating Lease Receivables	8	31,791	25,602
Non-Current Assets		**919,396,696**	**965,798,422**
Property, Plant and Equipment	9	913,923,422	960,146,208
Intangible Assets	10	383,792	538,049
Investment Property	11	5,004,000	5,004,000
Non-current Investments	12	21,088	13,980
Operating Lease Receivables	8	63,231	95,021
Long-term Receivables	13	1,164	1,164
Total Assets		**1,037,133,194**	**1,105,052,921**
LIABILITIES			
Current Liabilities		**38,764,946**	**40,848,232**
Consumer Deposits	14	1,949,136	1,825,041
Provisions	15	1,413,504	1,302,291
Payables from Exchange Transactions	16	12,329,470	11,504,617
Payables from Non-exchange Transactions	17	1,552,637	844,342
Unspent Conditional Grants and Receipts	18	6,837,471	12,119,810
VAT Payable	19	-	4,210,806
Bank Overdraft	7	11,924,753	6,556,641
Current Portion of Long-term Liabilities	20	2,757,975	2,484,682
Non-Current Liabilities		**43,888,209**	**43,331,168**
Long-term Liabilities	20	3,230,928	6,007,941
Employee Benefits	21	34,020,228	31,352,175
Non-current Provisions	22	6,637,053	5,971,053
Total Liabilities		**82,653,155**	**84,179,400**
Total Assets and Liabilities		**954,480,039**	**1,020,873,521**
NET ASSETS		**954,480,039**	**1,020,873,521**
Accumulated Surplus / (Deficit)	23	954,480,039	1,020,873,521
Total Net Assets		**954,480,039**	**1,020,873,521**

EMTHANJENI LOCAL MUNICIPALITY

STATEMENT OF FINANICAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2014

	Note	Actual 2014 R	2013 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	24	20,917,831	17,220,134
Property Rates - Penalties imposed and collection charges	28	149,924	102,997
Fines		24,425,055	4,986,790
Licences and Permits		1,304,582	1,201,492
Government Grants and Subsidies Received	25	58,556,675	54,961,467
Revenue from Exchange Transactions			
Service Charges	26	91,654,816	79,889,148
Rental of Facilities and Equipment	27	721,563	946,889
Interest Earned - External Investments	28	1,030,475	1,594,930
Interest Earned - Outstanding Debtors	28	625,352	493,738
Other Revenue	29	2,971,628	4,241,129
Other Gains on Continued Operations	39	7,108	1,907,040
Gains on Disposal of Property, Plant and Equipment		164,093	-
Profit on Sale of Land		-	319,091
Total Revenue		**202,529,102**	**167,864,845**
EXPENDITURE			
Employee Related Costs	30	59,893,633	56,448,872
Remuneration of Councillors	31	4,157,184	3,693,580
Collection Costs		-	66,492
Depreciation and Amortisation	32	67,643,995	68,781,918
Impairment Losses	33	53,425,436	6,872,760
Repairs and Maintenance		12,197,863	11,974,489
Finance Costs	34	855,123	1,041,433
Bulk Purchases	35	43,535,580	38,781,485
Contracted Services	36	6,985,177	7,257,409
Grants and Subsidies Paid	37	207,800	304,870
General Expenses	38	19,750,677	19,968,729
Loss on Disposal of Property, Plant and Equipment		-	75,338
Loss on Sale of Land		203,456	-
Inventory Written-off		66,661	39,905
Total Expenditure		**268,922,584**	**215,307,280**
SURPLUS / (DEFICIT) FOR THE YEAR		**(66,393,482)**	**(47,442,435)**

Refer to Appendix E(1) for explanation of budget variances

EMTHANJENI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Description	Accumulated Surplus / (Deficit) Capital Replacement Reserve	Accumulated Surplus / (Deficit) Accumulated Surplus / (Deficit)	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R	R
2013				
Balance at 1 July 2012	2,252,793	1,067,251,263	1,069,504,056	1,069,504,056
Change in Accounting Policy (Note 40)	-	-	-	-
Correction of Error (Note 41)	-	(1,188,100)	(1,188,100)	(1,188,100)
Restated Balance	**2,252,793**	**1,066,063,163**	**1,068,315,956**	**1,068,315,956**
Surplus / (Deficit) for the year	-	(47,442,435)	(47,442,435)	(47,442,435)
Net gains / (losses) not recognised in the Statement of Financial Performance	-	-	-	-
Balance at 30 June 2013	**2,252,793**	**1,018,620,728**	**1,020,873,521**	**1,020,873,521**
2014				
Balance at 1 July 2013	2,252,793	1,018,620,728	1,020,873,521	1,020,873,521
Surplus / (Deficit) for the year	-	(66,393,482)	(66,393,482)	(66,393,482)
Net gains / (losses) not recognised in the Statement of Financial Performance	-	-	-	-
Balance at 30 June 2014	**2,252,793**	**952,227,246**	**954,480,039**	**954,480,039**

Details on the movement of the Funds and Reserves are set out in Note 23.

EMTHANJENI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2014 R	2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		17,407,400	14,451,663
Government Grant and Subsidies		53,274,336	55,548,489
Service Charges		80,958,755	65,456,103
Interest Received		1,030,475	1,594,930
Other Receipts		2,851,816	11,957,895
Payments			
Employee Related Costs		(56,840,637)	(51,982,324)
Remuneration of Councillors		(4,157,184)	(3,693,580)
Interest Paid		(855,123)	(1,041,433)
Suppliers Paid		(83,800,445)	(78,310,013)
Other Payments		3,172,860	4,485,871
NET CASH FLOWS FROM OPERATING ACTIVITIES	43	**13,042,254**	**18,467,601**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(21,457,369)	(14,793,372)
Purchase of Intangible Assets	10	(92,919)	(63,909)
Purchase of Investment Property	11	-	-
Proceeds on Disposal of Property, Plant and Equipment		519,161	-
Profit on Sale of Land		112,594	-
Decrease / (Increase) in Operating Lease Assets	8	25,602	78,860
Decrease / (Increase) in Non-current Investments	12	-	-
Decrease / (Increase) in Long-term Receivables	13	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(20,892,931)**	**(14,778,420)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		-	-
Repayment of Borrowings	20	(2,503,720)	(2,274,561)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(2,503,720)**	**(2,274,561)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(10,354,397)**	**1,414,620**
Cash and Cash Equivalents at Beginning of Period		10,639,847	9,225,228
Cash and Cash Equivalents at End of Period		285,450	10,639,847

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustmens Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	2013/2014									
	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION										
Current Assets										
Inventories	43,301,000	-	43,301,000	-	-	43,301,000	64,940,812	21,639,812	50%	50%
Receivables from Exchange Transactions	12,037,000	-	12,037,000	-	-	12,037,000	30,488,661	18,451,661	153%	153%
Receivables from Non-exchange Transactions	8,558,000	-	8,558,000	-	-	8,558,000	9,802,251	1,244,251	15%	15%
VAT Receivable	-	-	-	-	-	-	262,780	262,780	100%	100%
Cash and Cash Equivalents	13,301,000	(3,063,000)	10,238,000	-	-	10,238,000	12,210,203	1,972,203	19%	15%
Operating Lease Receivables	-	-	-	-	-	-	31,791	31,791	100%	100%
Non-Current Assets										
Property, Plant and Equipment	888,993,000	(23,205,000)	865,788,000	-	-	865,788,000	913,923,422	48,135,422	6%	5%
Intangible Assets	1,166,000	-	1,166,000	-	-	1,166,000	383,792	(782,208)	-67%	-67%
Investment Property	4,272,000	-	4,272,000	-	-	4,272,000	5,004,000	732,000	17%	17%
Non-current Investments	177,000	-	177,000	-	-	177,000	21,088	(155,912)	-88%	-88%
Operating Lease Receivables	-	-	-	-	-	-	63,231	63,231	100%	100%
Long-term Receivables	-	-	-	-	-	-	1,164	1,164	100%	100%
Total Assets	**971,805,000**	**(26,268,000)**	**945,537,000**		**-**	**945,537,000**	**1,037,133,194**	**91,596,194**		
Current Liabilities										
Consumer Deposits	1,899,000	-	1,899,000	-	-	1,899,000	1,949,136	50,136	3%	3%
Provisions	1,920,000	-	1,920,000	-	-	1,920,000	1,413,504	(506,496)	-26%	-26%
Payables	5,924,000	-	5,924,000	-	-	5,924,000	13,882,107	7,958,107	134%	134%
Unspent Conditional Grants and Receipts	1,272,000	-	1,272,000	-	-	1,272,000	6,837,471	5,565,471	438%	438%
VAT Payable	3,470,000	-	3,470,000	-	-	3,470,000	-	(3,470,000)	-100%	-100%
Bank Overdraft	1,251,000	-	1,251,000	-	-	1,251,000	11,924,753	10,673,753	853%	853%
Current Portion of Long-term Liabilities	1,296,000	-	1,296,000	-	-	1,296,000	2,757,975	1,461,975	113%	113%
Non-Current Liabilities										
Long-term Liabilities	10,543,000	-	10,543,000	-	-	10,543,000	3,230,928	(7,312,072)	-69%	-69%
Retirement Benefit Liabilities	29,224,000	-	29,224,000	-	-	29,224,000	34,020,228	4,796,228	16%	16%
Non-current Provisions	3,035,000	-	3,035,000	-	-	3,035,000	6,637,053	3,602,053	119%	119%
Total Liabilities	**59,834,000**	**-**	**59,834,000**	**-**	**-**	**59,834,000**	**82,653,155**	**22,819,155**		
Total Assets and Liabilities	**911,971,000**	**(26,268,000)**	**885,703,000**	**-**	**-**	**885,703,000**	**954,480,039**	**68,777,039**		
Net Assets (Equity)										
Accumulated Surplus / (Deficit)	911,971,000	(26,268,000)	885,703,000	-	-	885,703,000	954,480,039	68,777,039	8%	8%
Total Net Assets	**911,971,000**	**(26,268,000)**			**-**	**885,703,000**	**954,480,039**	**68,777,039**		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustmens Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	2013/2014									
	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE										
Revenue from Non-exchange Transactions										
Property Rates	21,373,000	-	21,373,000	-	-	21,373,000	20,917,831	(455,169)	-2%	-2%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	149,924	149,924	100%	100%
Fines	7,543,000	(2,765,000)	4,778,000	-	-	4,778,000	24,425,055	19,647,055	411%	260%
Licences and Permits	1,230,000	-	1,230,000	-	-	1,230,000	1,304,582	74,582	6%	6%
Grants and Subsidies Received	76,877,000	(23,500,000)	53,377,000	-	-	53,377,000	58,556,675	5,179,675	10%	7%
Revenue from Exchange Transactions										
Service Charges	96,874,000	(5,141,000)	91,733,000	-	-	91,733,000	91,654,816	(78,184)	0%	0%
Rental of Facilities and Equipment	529,000	-	529,000	-	-	529,000	721,563	192,563	36%	36%
Interest Earned - External Investments	792,000	1,000	793,000	-	-	793,000	1,030,475	237,475	30%	30%
Interest Earned - Outstanding Debtors	741,000	(1,000)	740,000	-	-	740,000	625,352	(114,648)	-15%	-15%
Other Income	16,713,000	2,824,000	19,537,000	-	-	19,537,000	2,971,628	(16,565,372)	-85%	-99%
Other Gains on Continued Operations	-	-	-	-	-	-	7,108	7,108	100%	100%
Gains on Disposal of Property, Plant and Equipment	80,000	-	80,000	-	-	80,000	164,093	84,093	105%	105%
Total Revenue	**222,752,000**	**(28,582,000)**	**194,170,000**	-	-	**194,170,000**	**202,529,102**	**8,359,102**		
Expenditure										
Employee Related Costs	59,618,000	1,422,000	61,040,000	-	-	61,040,000	59,893,633	(1,146,367)	-2%	-2%
Remuneration of Councillors	3,918,000	237,000	4,155,000	-	-	4,155,000	4,157,184	2,184	0%	0%
Collection Costs	-	-	-	-	-	-	-	-	0%	0%
Depreciation and Amortisation	8,479,000	(10,000)	8,469,000	-	-	8,469,000	67,643,995	59,174,995	699%	698%
Impairment Losses	8,627,000	-	8,627,000	-	-	8,627,000	53,425,436	44,798,436	519%	519%
Repairs and Maintenance	8,178,000	31,000	8,209,000	-	-	8,209,000	12,197,863	3,988,863	49%	49%
Finance Costs	933,000	97,000	1,030,000	-	-	1,030,000	855,123	(174,877)	-17%	-19%
Bulk Purchases	44,159,000	(2,154,000)	42,005,000	-	-	42,005,000	43,535,580	1,530,580	4%	3%
Contracted Services	7,026,000	(1,726,000)	5,300,000	-	-	5,300,000	6,985,177	1,685,177	32%	24%
Grants and Subsidies Paid	12,422,000	2,508,000	14,930,000	-	-	14,930,000	207,800	(14,722,200)	-99%	-119%
General Expenses	32,649,000	(2,719,000)	29,930,000	-	-	29,930,000	19,750,677	(10,179,323)	-34%	-31%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	0%	0%
Loss on Sale of Land	-	-	-	-	-	-	203,456	203,456	100%	100%
Inventory Written-off	-	-	-	-	-	-	66,661	66,661	100%	100%
Total Expenditure	**186,009,000**	**(2,314,000)**	**183,695,000**	-	-	**183,695,000**	**268,922,584**	**85,227,584**		
Surplus/(Deficit for the Year	**36,743,000**	**(26,268,000)**	**10,475,000**	-	-	**10,475,000**	**(66,393,482)**	**(76,868,482)**		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustmens Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	2013/2014									
	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION										
Executive and Council	221,000	277,000	498,000	-	-	498,000	585,487	87,487	18%	40%
Finance and Administration	1,959,000	-	1,959,000	-	-	1,959,000	199,452	(1,759,548)	-90%	-90%
Planning and Development	15,344,000	(3,500,000)	11,844,000	-	-	11,844,000	499,643	(11,344,357)	-96%	-74%
Health	21,000	-	21,000	-	-	21,000	-	(21,000)	-100%	-100%
Community and Social Services	728,000	16,000	744,000			744,000	62,903	(681,097)	-92%	-94%
Housing	-	-	-			-	713,769	713,769	100%	100%
Public Safety	510,000	-	510,000	-	-	510,000	-	(510,000)	-100%	-100%
Sport and Recreation	101,000	-	101,000	-	-	101,000	-	(101,000)	-100%	-100%
Environmental Protection	-	-	-	-	-	-	-	-	0%	0%
Waste Management	55,000	302,000	357,000	-	-	357,000	-	(357,000)	-100%	-649%
Roads and Transport	3,519,000	(300,000)	3,219,000	-	-	3,219,000	15,401,315	12,182,315	378%	346%
Water	21,076,000	(20,000,000)	1,076,000	-	-	1,076,000	1,681,260	605,260	56%	3%
Electricity	505,000	-	505,000	-	-	505,000	2,313,622	1,808,622	358%	358%
Total Sources of Capital Funds	**44,039,000**	**(23,205,000)**	**20,834,000**	**-**	**-**	**20,834,000**	**21,457,449**	**623,449**		
CASH FLOW										
Cash Flows from/(used in) Operating Activities										
Property Rates	125,172,000	13,935,000	139,107,000	-	-	139,107,000	17,407,400	(121,699,600)	-87%	-97%
Grants	76,938,000	(23,561,000)	53,377,000	-	-	53,377,000	53,274,336	(102,664)	0%	0%
Service Charges	-	-	-	-	-	-	80,958,755	80,958,755	100%	100%
Interest Received	793,000	76,000	869,000	-	-	869,000	1,030,475	161,475	19%	20%
Other Receipts	1,000	239,000	240,000	-	-	240,000	2,851,816	2,611,816	1088%	261182%
Employee Related Costs	(128,441,000)	(19,960,000)	(148,401,000)	-	-	(148,401,000)	(56,840,637)	91,560,363	-62%	-71%
Remuneration of Councillors	-	-	-	-	-	-	(4,157,184)	(4,157,184)	-100%	-100%
Interest Paid	(933,000)	(97,000)	(1,030,000)	-	-	(1,030,000)	(855,123)	174,877	-17%	-19%
Suppliers Paid	-	-	-	-	-	-	(83,800,445)	(83,800,445)	-100%	-100%
Other Payments	(13,573,000)	(1,357,000)	(14,930,000)	-	-	(14,930,000)	3,172,860	18,102,860	-121%	-133%
Cash Flows from/(used in) Investing Activities										
Purchase of Property, Plant and Equipment	(20,806,000)	68,000	(20,738,000)	-	-	(20,738,000)	(21,457,369)	(719,369)	3%	3%
Purchase of Intangible Assets	-	-	-	-	-	-	(92,919)	(92,919)	-100%	-100%
Purchase of Investment Property	-	-	-	-	-	-	-	-	0%	0%
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	519,161	519,161	100%	100%
Profit on Sale of Land	-	-	-	-	-	-	112,594	112,594	100%	100%
Decrease / (Increase) in Operating Lease Assets	-	-	-	-	-	-	25,602	25,602	100%	100%
Cash Flows from/(used in) Financing Activities										
Loans repaid	(2,538,000)	-	(2,538,000)	-	-	(2,538,000)	(2,503,720)	34,280	-1%	-1%
Increase / (Decrease) in Short-term Loans	111,000	-	111,000	-	-	111,000	-	(111,000)	-100%	-100%
Cash and Cash Equivalents at End of the Year	**36,724,000**	**(30,657,000)**			**-**	**6,067,000**	**(10,354,397)**	**(16,421,397)**		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

More stores were procured and water stock levels increased during the financial year. In addition to this, management did a full land audit between the financial records and the title deeds and accounted for all land parcels available for sale, resulting in a significant increase.

Non-current Assets Held-for-Sale:

At 30 June 2013, assets had been identified that were sold on auction during July 2013. During the 2013/2014 financial year, the auction took place during June 2014 and no assets were subsquently identified as 'held-for-sale'.

Receivables from Exchange Transactions:

Management is attempting to enforce the Debt and Credit Collection Policy, resulting a significant lower budgeted amount. The results were however not obtained. The increase however remains consistent with that of the previous year and a sufficient provision for doubtful debt was provided for all doubtful consumer debtors, excluding Government Debt. This provision includes all Indigent Debtors.

VAT Receivable:

Management budgeted for a VAT payable at yearend. Due to the significant increase in the impairment provision, the VAT portion of the provision resulted in a receivable being recognised at yearend.

Cash and Cash Equivalents:

Cash control and management by the Finance Department and all managers resulted in the significant increase. Management ensures that sufficient cash is available to cover all short term debt, as well as unspent conditional grants that may exist at yearend.

Operating Lease Reveivables:

This movement represents an accounting entry, as required by GRAP 13: Leases, and was not budgeted for.

Intangible Assets:

Due to the amortisation expense during the year. The financial systems used by the Municipality represents a significant portion of the balance and the amortisation expense was higher than expected.

Investment Property:

Management budgeted for an decrease in the value of the property, which did not occur during the year.

Non-current Investments:

The municipality has shares in OVK. These shares were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.

Long-term Receivables:

Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.

Provisions:

An acturial gain (as determined by the actuaries) resulted in the increase not meeting the expected growth (increase).

Payables:

In prior financial years, the municipality did not recognise any retention fees at yearend. This error was subsequently (and retrospectively) corrected. The aforementioned, with the increase in other creditors resulted in the unexpected increase.

Unspent Conditional Grants and Receipts:

Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, unspent MIG funding was still available which will be used for capital projects in the next financial year. The municipality is also constructed the electricity line for the new hospital, which has not been finished and the unspent portion remains as unspent.

VAT Payable:

Please refer to 'VAT Receivable' for the supporting explanation.

Bank Overdraft:

At yearend, the municipality paid the Eskom bulk electricity account which had a significant impact on the primary bank account. There are however sufficient funds to ensure the municipality can cover this debt and continue to provide services and pay other creditors. Refer to the Cash and Cash Equivalents increase recorded.

Current Portion of Long-term Liabilities:

Please refer to the explanation provided under the 'Long-term Liabilities'.

Long-term Liabilities:

Management is repaying the Long-term Liabilities quicker than anticipated. Management did not default on any loan payment and have controls in place to ensure these obligations are settled within the agreed period.

Retirement Benefit Liabilities:

The increase is attributable to the variables within the actuarial valuation, which increased resulting in higher than expected interest costs.

Non-current Provisions:

The unexpected increase in the Landfill Site provision recorded in the 2012/2013 financial year, resulted in the lower budgeted amount.

Accumulated Surplus / (Deficit):

Due to the errors identified during the financial year and the retrospective adjustment thereof.

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, are as follow:

Property Rates - Penalties imposed and collection charges

The Property Rates - Penalties is budgeted for with Interest Received. The current classification in the Annual Financial Statements is a GRAP requirement and has therefore been split as such.

Fines

For the 2013/2014 financial year, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.

Rental of Facilities and Equipment

The municipality generated more revenue than budgeted for.

Interest Earned (all financial statement line items)

Improved cash management and diversification of available cash. This is supported in the increase in the Cash and Cash Equivalents balance.

Other Income:

In the 2011/2012 financial year, preliminary figures showed a decrease in the provision for doubtful debt (reversal). This was taken into account during the preparation of the 2013/2014 budget as the 2012/2013 provision (and relating entiries) were not calculated (and processed). This did however not realise and resulted in the material fluctuation. Furthermore, the revenue generated from prepaid electricity has been correctly classified.

Other Gains on Continued Operations

Due to the fair value adjustment made to Non-current Investments which were not anticipated and budgeted for.

Gains on Disposal of Property, Plant and Equipment

The proceeds generated by the auctions, together with the proceeds obtained during a trade-in of a municipal vehicle, resulted in the budgeted figures being supassed.

Depreciation and Amortisation

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

Impairment Losses:

The provision for doubtful debt significantly increased duing the year, due to the weaker payment (receipt) ratios calculated on each individual debtor. Additional to this, management recognised all fines issued during the year and this debtor was impaired with R19 895 792.

Grants and Subsidies Paid

The budgeted figure includes all capital expenditure, which has been reclassified to the correct financial statement line items.

Loss on Sale of Land

The Municipality conducted a full land audit (please see the explanation included in the Inventory line item). During the year, a number of properties were transferred to buyers.

Inventory Written-off

The amount written-off is immaterial and therefore management did not budget for it.

Capital Expenditure: Explanation of Variances between Approved Budget and Actual

Overall, the fluctuations amounted to +/- 3%. Although the budgeted amounts made provision for costs to be incurred in more departments, these funds were used to, mainly, finance the roads and stormwater project currently in progress at yearend.

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Debt collection did not have the desired results, which resulted in the fluctuation. This is supported by the fluctuations identified in the Statement of Financial Performance and Position.

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historic cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes In Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2014 and 30 June 2013, the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an Accounting Policy only in the following instances:
(a) if it is required by a Standard of GRAP; or
(b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations And Assumptions

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 13.2 on *Revenue from Exchange Transactions* and Accounting Policy 13.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. BASIS OF PRESENTATION (continued)

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9 on *Financial Assets Classification* and Accounting Policy 9.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification financial instruments as set out in GRAP 104: *Financial Instruments* .

1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on *Impairment of Financial Assets* describes the process followed to determine the value at which financ assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to sele a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulte on payments already due, and an assessment of their ability to make payments based on their creditworthiness.
This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 5 to the AFS.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

As described in Accounting Policies 3.3, 5.2 and 6.2 the municipality depreciates its property, plant and equipment and investment property, and amortises it's intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used t the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories

Accounting Policy 8 on *Impairment of assets* Accounting Policy 11.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the Net Realisable Value for inventories involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 10 to the AFS, whilst no impairments were made to intangible assets or inventory.

1. BASIS OF PRESENTATION (continued)

1.2.6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where th level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 2 of the accounting policy to the Annual Financial Statements.

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 21 to the Annual Financial Statements.

1.2.8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites
The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflatic rate of 5% (2011: 5.5%) and discounted to the present value:

a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.14% (201 11.3475%).
b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2011: 11.3475%).

1.2.9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments To Standards And Interpretations Issued But Not Yet Effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 32 Service Concession Arrangement Grantor
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010
GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 for period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of th GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of th municipality.

2. NETT ASSETS

Included in the nett assets of the municipality, are the following reserves that are maintained in terms of specific requirements:

2.1 Other Reserves forming part of Accumulated surplus

The Municipality creates and maintains reserves which form part of the Accumulated Surplus in terms of specific requirements.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant o donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to b capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the co The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of t asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with a item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition property, pant and equipment are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed b external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount the asset.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

An increase in the carrying amount of property, plant and equipment as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in the Statement of Financial Performance.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to the Statement of Changes in Net Assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in th Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cos using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		***Buildings***	***30 - 100***
Roads and Paving	45 - 50		
Electricity	45 - 50	***Other***	
Water	15 - 100	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
Landfill Sites	10 - 65	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
Community		Watercraft	15
Recreational Facilities	15 - 60	Bins and Containers	5
Security	5	Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled b the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

5. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipali recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset c be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new o improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs ar recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are test for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributabl to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at th date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item coul not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

5. INTANGIBLE ASSETS (continued)

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over th intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible ass are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible asset	**Years**
Software	3

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets* . Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amour

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.4 Transitional provisions

Intangible assets recognised in terms of GRAP 31 have been presented for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 31, GRAP 3 and ASB Directive 4.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property.

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market price adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

5.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

6.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

6. IMPAIRMENT OF ASSETS (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amour of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior perio for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets a estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amoun that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

6.2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If i is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

6. IMPAIRMENT OF ASSETS (continued)

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
(i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior perioc for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

7. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

7.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:
- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

7. FINANCIAL INSTRUMENTS (continued)

Financial assets measured at fair value are financial assets that meet either of the following conditions:
(a) derivatives;
(b) combined instruments that are designated at fair value
(c) instruments held for trading.
(d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
(e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-ter highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

7.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities* , the classification determining how they are measured. Financial liabilitie may be measured at:
(i) Financial liabilities measured ar fair value or
(ii) Financial liabilities measured at amortised cost
(iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

7. FINANCIAL INSTRUMENTS (continued)

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

7.3.2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

7.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

7. FINANCIAL INSTRUMENTS (continued)

Financial assets carried at amortised cost

Accounts receivable encompassess long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using th effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable withi 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRA 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical lo experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as th difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted a the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

7.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

7.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

8. INVENTORIES

8.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs ar any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or t use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefor not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all cos of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, nett of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a FIFO cost basis. Direct costs are accumulated fc each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such invento at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

8. INVENTORIES (continued)

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written of or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amou and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

10. REVENUE RECOGNITION

10.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grai from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as describ below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognise to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10. REVENUE RECOGNITION (continued)

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and a recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on suc properties.

10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

10.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:
- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantifie The income recognised is in terms of the agency agreement.

10. REVENUE RECOGNITION (continued)

10.2.6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.2.7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10.2.8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

10.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality a the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liabi is also recognised in respect of the same inflow.
A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liabil when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

10.3.1 Rates And Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognise when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging differer rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to tl entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. Ar entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

10. REVENUE RECOGNITION (continued)

10.3.3 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the ass other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requireme to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulatior will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finan property, plant and equipment, when such items of property, plant and equipment are brought into use.

10.3.4 Revenue From Recovery of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipali has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay tc settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Wher the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcom by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meetir the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs unde contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

11. PROVISIONS (continued)

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's polic taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

12.1 Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee rend the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor ir the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Post-Employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

12.2.1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an ass to the extent that a cash refund or a reduction in the future payments is available.

12.2.2 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

12. EMPLOYEE BENEFITS (continued)

12.3 Post-Retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Servic on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based o the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

12.4 Long-Service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 3 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the stateme of financial performance.

12.5 Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions ir respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Ent contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined ben obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows us interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

The municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information disclosed previously.

13. LEASES

Lease Classification
Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

13.1 The Municipality As Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect o interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments ar unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated betwee the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocatec between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payable The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.2 The Municipality As Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of tl Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as tc reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

13. LEASES (continued)

13.3 Determining Whether An Arrangement Contains A Lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific ass is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conve the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

14. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 200 while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance w the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable tc the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amou of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necassary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs wh it completes substantially all the activities necessary to prepare that part.

15. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When makir these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Add Tax Act No 89 of 1991.

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant tha is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorise expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurre The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municip Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipalit or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care be exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financ performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 40 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest peri for which retrospective restatement is practicable. Refer to Note 41 to the Annual Financial Statements for details of correctior of errors recorded during the period under review.

21. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayo Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manag or as designated by the Municipal Manager.

The municipality changed its accounting policy from IPSAS 20 to GRAP 20 with no effect on the financial information disclose previously.

22. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

23. COMPARATIVE INFORMATION

23.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

23.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements a for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget cover the period from 1 July 2013 to 30 June 2014.

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised a a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle tl obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

25. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

26. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure no in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to somethi other than the business of the municipality.

	2014 R	2013 R

1. GENERAL INFORMATION

Emthanjeni Local Municipality (the municipality) is a local government institution in De Aar, Britstown and Hanover, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley-ka-Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumables Store	417,715	468,203
Property Stock	64,507,405	64,823,455
Water - at cost	15,692	13,872
Total Inventories	**64,940,812**	**65,305,530**

Inventories are held for own use and measured at the lower of cost and current replacement cost. No write downs of Inventory to net realisable value were required.

The cost of water production for the year amounted to R0.76 per kilolitre (2013: R0.68 per kilolitre).

Inventory to the value of R66 661 (2013: R39 905) was written off during the year.

No Inventories have been pledged as collateral for liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Other Assets Held-for-Sale - at cost	-	71,732
Total Non-current Assets Held-for-Sale	**-**	**71,732**
Liabilities associated with Non-current Assets Held-for-Sale	**-**	**-**
Net Non-current Assets Held-for-Sale	**-**	**71,732**

The municipality intends to dispose of vehicle within the next three months. No impairment loss was recognised on reclassification of the property as held-for-sale on at 30 June 2014.

3.1 Other Assets Held-for-Sale

As described in Note 9, the municipality was seeking to dispose of certain at 30 other assets at 30 June 2013 and anticipated that the disposal will be completed by 31 July 2013. The classes of assets classified as held-for-sale at the balance sheet date are as follows:

Property, Plant and Equipment	-	71,732
Assets classified as Held-for-Sale	**-**	**71,732**

	2014 R	2013 R

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2014	Gross Balances R	Provision for Impairment R	Net Balances R
Service Debtors:	72,971,804	(43,377,241)	29,594,563
Electricity	17,064,209	(6,845,832)	10,218,377
Refuse	8,919,664	(5,850,844)	3,068,820
Sewerage	17,452,740	(11,399,087)	6,053,654
Water	29,535,190	(19,281,478)	10,253,713
Other Receivables	2,837,637	(1,943,540)	894,098
Total Receivables from Exchange Transactions	**75,809,441**	**(45,320,781)**	**30,488,661**

As at 30 June 2013	Gross Balances R	Provision for Impairment R	Net Balances R
Service Debtors:	78,338,004	(33,051,986)	45,286,018
Electricity	16,920,489	(4,732,895)	12,187,594
Refuse	9,113,114	(3,947,264)	5,165,851
Sewerage	18,182,030	(7,464,719)	10,717,311
Water	34,122,371	(16,907,108)	17,215,263
Other Receivables	2,269,593	(952,015)	1,317,578
Total Receivables from Exchange Transactions	**80,607,597**	**(34,004,001)**	**46,603,596**

The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.

The fair value of receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and receivables as well as the current payment ratios of the municipality's receivables.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of receivables.

At 30 June 2014, the municipality is owed R4 386 769 by National and Provincial Government.

The municipality did not pledge any of its receivables as security for borrowing purposes.

	2014 R	2013 R

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	4,756,157	628,731	516,369	11,162,952	17,064,209
Less: Provision for Impairment	(317,488)	(218,614)	(208,573)	(6,101,157)	(6,845,832)
Net Balances	**4,438,669**	**410,117**	**307,795**	**5,061,795**	**10,218,377**
Refuse:					
Gross Balances	578,600	292,155	273,455	7,775,455	8,919,664
Less: Provision for Impairment	(199,875)	(158,243)	(158,336)	(5,334,389)	(5,850,844)
Net Balances	**378,724**	**133,911**	**115,119**	**2,441,066**	**3,068,820**
Sewerage:					
Gross Balances	845,810	499,364	478,230	15,629,336	17,452,740
Less: Provision for Impairment	(290,942)	(284,326)	(285,913)	(10,537,906)	(11,399,087)
Net Balances	**554,869**	**215,038**	**192,317**	**5,091,430**	**6,053,654**
Water:					
Gross Balances	2,499,297	1,071,971	1,009,232	24,954,690	29,535,190
Less: Provision for Impairment	(709,380)	(675,492)	(721,512)	(17,175,093)	(19,281,478)
Net Balances	**1,789,917**	**396,479**	**287,720**	**7,779,597**	**10,253,713**
Other Receivables:					
Gross Balances	108,035	60,464	56,360	2,612,779	2,837,637
Less: Provision for Impairment	(40,203)	(38,317)	(38,288)	(1,826,731)	(1,943,540)
Net Balances	**67,832**	**22,147**	**18,072**	**786,047**	**894,098**

As at 30 June receivables of R23,258,650 were past due but not impaired. The age analysis of these receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	2,552,684	2,333,646	62,135,212	67,021,542
Less: Provision for Impairment	(1,374,993)	(1,412,623)	(40,975,276)	(43,762,892)
Net Balances	**1,177,691**	**921,023**	**21,159,936**	**23,258,650**

	2014 R	2013 R

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	3,758,836	1,342,803	454,902	11,363,948	16,920,489
Less: Provision for Impairment	(284,866)	(364,522)	(138,644)	(3,944,863)	(4,732,895)
Net Balances	**3,473,970**	**978,281**	**316,258**	**7,419,086**	**12,187,594**
Refuse:					
Gross Balances	370,250	477,988	228,492	8,036,384	9,113,114
Less: Provision for Impairment	24,066	(94,847)	(60,576)	(3,815,906)	(3,947,264)
Net Balances	**394,316**	**383,141**	**167,916**	**4,220,478**	**5,165,851**
Sewerage:					
Gross Balances	668,246	826,990	395,024	16,291,771	18,182,030
Less: Provision for Impairment	36,633	(163,326)	(102,816)	(7,235,210)	(7,464,719)
Net Balances	**704,879**	**663,663**	**292,208**	**9,056,560**	**10,717,311**
Water:					
Gross Balances	1,788,497	1,543,845	807,154	29,982,875	34,122,371
Less: Provision for Impairment	(280,639)	(652,356)	(383,762)	(15,590,351)	(16,907,108)
Net Balances	**1,507,858**	**891,489**	**423,392**	**14,392,524**	**17,215,263**
Other Receivables:					
Gross Balances	88,901	104,292	49,231	2,027,169	2,269,593
Less: Provision for Impairment	(18,371)	(37,222)	(19,505)	(876,917)	(952,015)
Net Balances	**70,530**	**67,071**	**29,725**	**1,150,252**	**1,317,578**

As at 30 June receivables of R40,452,044 were past due but not impaired. The age analysis of these receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	4,295,918	1,934,802	67,702,147	73,932,867
Less: Provision for Impairment	(1,312,274)	(705,302)	(31,463,247)	(33,480,823)
Net Balances	**2,983,644**	**1,229,499**	**36,238,900**	**40,452,044**

	2014 R	2013 R

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

4.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2014				
Current:				
0 - 30 days	6,931,422	1,209,461	647,015	-
Past Due:				
31 - 60 Days	2,041,406	202,492	308,787	-
61 - 90 Days	2,003,191	131,829	198,625	-
+ 90 Days	56,933,287	1,969,582	3,232,342	-
Sub-total	67,909,306	3,513,365	4,386,769	-
Less: Provision for Impairment	(43,910,382)	(1,410,398)	-	-
Total Trade Receivables by Customer Classification	**23,998,924**	**2,102,967**	**4,386,769**	**-**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
Current:				
0 - 30 days	4,115,780	1,550,523	1,348,447	-
Past Due:				
31 - 60 Days	1,891,540	269,188	149,903	-
61 - 90 Days	1,667,573	202,183	115,533	-
+ 90 Days	63,958,836	2,428,512	2,909,581	-
Sub-total	71,633,729	4,450,404	4,523,463	-
Less: Provision for Impairment	(32,912,959)	(1,091,041)	-	-
Total Trade Receivables by Customer Classification	**38,720,769**	**3,359,363**	**4,523,463**	**-**

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	(34,004,000)	(27,272,274)
Impairment Losses recognised	(30,794,688)	(6,731,726)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	19,477,908	-
Amounts recovered	-	-
Balance at end of year	**(45,320,780)**	**(34,004,000)**

In determining the recoverability of receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment.

Included in the municipality's receivables balance are debtors with a carrying amount of R23 258 650 (2013: R40 452 044 which are past due at the reporting date for which the municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits (see Note 14), which are not covering the total outstanding debt. The average age of these receivables is 84 days (2013: 85 days).

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits, which are not covering the total outstanding debt and vacant property respectively.

	2014 R	2013 R

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

4.4 Ageing of Impaired Receivables from Exchange Transactions

Current:		
0 - 30 Days	1,557,888	523,178
Past Due:		
31 - 60 Days	1,374,993	1,312,274
61 - 90 Days	1,412,623	705,302
+ 90 Days	40,975,276	31,463,247
Total	**45,320,781**	**34,004,001**

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Assessment Rates Debtors	13,400,895	(7,067,368)	6,333,528
Payments Made In Advance	74,698	-	74,698
Sundry Deposits	1,014,610	-	1,014,610
Sundry Debtors	22,275,207	(19,895,792)	2,379,415
Total Receivables from Non-exchange Transactions	**36,765,411**	**(26,963,160)**	**9,802,251**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	12,419,723	(3,229,774)	9,189,949
Payments Made In Advance	75,335	-	75,335
Sundry Deposits	109,610	-	109,610
Sundry Debtors	676,656	-	676,656
Total Receivables from Non-exchange Transactions	**13,281,324**	**(3,229,774)**	**10,051,550**

Sundry Deposits are in respect of cash deposits amounting to R64 610 (2013: R59 610) made to fuel station for the supply of fuel, R900 000 (2013: R0) made to Eskom and R50 000 (2013: R50 000) made to the S.A. Post Office for postal services.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

	2014 R	2013 R

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	728,852	403,983	150,135	11,136,753	12,419,723
Less: Provision for Impairment	(74,144)	(126,149)	(45,827)	(2,983,654)	(3,229,774)
Net Balances	**654,708**	**277,834**	**104,308**	**8,153,099**	**9,189,949**
Payments made in Advance:					
Gross Balances	75,335	-	-	-	75,335
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**75,335**	**-**	**-**	**-**	**75,335**
Sundry Deposits:					
Gross Balances	-	-	-	109,610	109,610
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**-**	**-**	**-**	**109,610**	**109,610**
Sundry Debtors:					
Gross Balances	218,046	-	-	458,610	676,656
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**218,046**	**-**	**-**	**458,610**	**676,656**

As at 30 June Receivables of R9,103,461 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	403,983	150,135	11,704,973	12,259,091
Less: Provision for Impairment	(126,149)	(45,827)	(2,983,654)	(3,155,630)
Net Balances	**277,834**	**104,308**	**8,721,320**	**9,103,461**

5.2 Summary of Assessment Rates Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2014				
Current:				
0 - 30 days	638,919	53,540	118,363	-
Past Due:				
31 - 60 Days	228,778	10,419	102,351	-
61 - 90 Days	184,601	10,419	102,128	-
+ 90 Days	10,602,361	592,557	756,459	-
Sub-total	11,654,659	666,936	1,079,301	-
Less: Provision for Impairment	(6,696,334)	(371,034)	-	-
Total Rates Debtors by Customer Classification	**4,958,325**	**295,902**	**1,079,301**	**-**

	2014 R	2013 R

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
Current:				
0 - 30 days	654,345	54,089	20,418	-
Past Due:				
31 - 60 Days	206,822	6,885	20,931	-
61 - 90 Days	144,706	4,659	19,979	-
+ 90 Days	10,345,453	415,394	526,041	-
Sub-total	11,351,327	481,026	587,369	-
Less: Provision for Impairment	(3,144,454)	(85,321)	-	-
Total Rates Debtors by Customer Classification	**8,206,874**	**395,706**	**587,369**	**-**

5.3 Reconciliation of Provision for Impairment

Balance at beginning of year	(3,229,774)	(2,370,718)
Impairment Losses recognised	(6,516,776)	(859,056)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(17,216,610)	-
Amounts recovered	-	-
Balance at end of year	**(26,963,160)**	**(3,229,774)**

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

The following Loans and Receivables are included in the total amount of the Provision for Impairment:

Sundry Debtors	-	-
Total Provision for Impairment on Receivables from Non-exchange Transactions	**-**	**-**

6. VAT RECEIVABLE

VAT Receivable	**262,780**	**-**

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

	2014 R	2013 R
7. CASH AND CASH EQUIVALENTS		
Current Investments	11,294,795	17,026,345
Bank Accounts	914,009	168,744
Bank Overdraft	(11,924,753)	(6,556,641)
Cash and Cash Equivalents	1,400	1,400
Total Bank, Cash and Cash Equivalents	**285,450**	**10,639,847**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	772,511	7,098,439
Notice Deposits	10,522,283	9,927,906
Total Current Investment Deposits	**11,294,795**	**17,026,345**

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10 % to 5.75 % (2013: 5.00% to 7.50%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5.54% to 5.68% (2013: 5.40% to 6.53%) per annum.

Deposits of R7 574 507 (2013: R12 119 810) are ring-fenced and attributable to Unspent Conditional Grants.

7.2 Bank Accounts

Cash in Bank	914,009	168,744
Bank Overdraft	(11,924,753)	(6,556,641)
Total Bank Accounts	**(11,010,744)**	**(6,387,898)**

The Municipality has the following bank accounts:

Primary Bank Account		
ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081		
Cash book balance at beginning of year	(6,498,375)	(5,154,118)
Cash book balance at end of year	(11,924,753)	(6,497,280)
Bank statement balance at beginning of year	3,897,789	4,271,207
Bank statement balance at end of year	4,984,393	3,897,789
Other Operating Bank Accounts		
Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007		
Cash book balance at beginning of year	41,694	2,216
Cash book balance at end of year	44,415	41,694
Bank statement balance at beginning of year	41,494	2,216
Bank statement balance at end of year	44,415	41,494
ABSA Bank Limited - De Aar Branch - Cheque Account Number 4061 685 162		
Cash book balance at beginning of year	127,050	28,918
Cash book balance at end of year	265,684	127,050
Bank statement balance at beginning of year	127,050	28,918
Bank statement balance at end of year	265,684	127,050

	2014 R	2013 R
7. CASH AND CASH EQUIVALENTS (continued)		
ABSA Bank Limited - De Aar Branch - Cheque Account Number 4150 193 474		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	603,910	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	603,910	-
Current Investment Accounts		
ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 052 997 314		
Cash book balance at beginning of year	-	7,784
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	7,784
Bank statement balance at end of year	-	-
ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 817		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 906		
Cash book balance at beginning of year	9,925,304	6,070,801
Cash book balance at end of year	10,507,963	9,925,304
Bank statement balance at beginning of year	9,925,304	6,070,801
Bank statement balance at end of year	10,507,963	9,925,304
ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 199 059		
Cash book balance at beginning of year	-	203,339
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	203,339
Bank statement balance at end of year	-	-
ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239		
Cash book balance at beginning of year	2,602	2,442
Cash book balance at end of year	14,321	2,602
Bank statement balance at beginning of year	2,602	2,442
Bank statement balance at end of year	14,321	2,602
ABSA Bank Limited - De Aar Branch - Call Account Number 9 118 567 212		
Cash book balance at beginning of year	1,063	1,014
Cash book balance at end of year	0	1,063
Bank statement balance at beginning of year	1,063	1,014
Bank statement balance at end of year	-	1,063
ABSA Bank Limited - De Aar Branch - Call Account Number 9 168 828 440		
Cash book balance at beginning of year	10,444	10,237
Cash book balance at end of year	0	10,444
Bank statement balance at beginning of year	10,444	10,237
Bank statement balance at end of year	-	10,444

	2014 R	2013 R
7. CASH AND CASH EQUIVALENTS (continued)		
ABSA Bank Limited - De Aar Branch - Call Account Number 9 187 848 328		
Cash book balance at beginning of year	0	1,000
Cash book balance at end of year	0	0
Bank statement balance at beginning of year	0	1,000
Bank statement balance at end of year	0	0
ABSA Bank Limited - De Aar Branch - Call Account Number 9 205 814 279		
Cash book balance at beginning of year	(0)	54,859
Cash book balance at end of year	(0)	(0)
Bank statement balance at beginning of year	(0)	54,859
Bank statement balance at end of year	(0)	(0)
ABSA Bank Limited - De Aar Branch - Call Account Number 9 207 882 270		
Cash book balance at beginning of year	-	1,002
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	1,002
Bank statement balance at end of year	-	-
ABSA Bank Limited - De Aar Branch - Call Account Number 9 223 682 147		
Cash book balance at beginning of year	0	1,000
Cash book balance at end of year	0	0
Bank statement balance at beginning of year	0	1,000
Bank statement balance at end of year	0	0
ABSA Bank Limited - De Aar Branch - Call Account Number 9 228 175 838		
Cash book balance at beginning of year	(0)	1,007
Cash book balance at end of year	(0)	(0)
Bank statement balance at beginning of year	(0)	1,007
Bank statement balance at end of year	(0)	(0)
ABSA Bank Limited - De Aar Branch - Call Account Number 9 233 114 081		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
ABSA Bank Limited - De Aar Branch - Call Account Number 9 222 035 197		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
ABSA Bank Limited - De Aar Branch - Call Account Number 9 205 813 663		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
ABSA Bank Limited - De Aar Branch - Call Account Number 9 199 813 620		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-

	2014 R	2013 R
7. CASH AND CASH EQUIVALENTS (continued)		
ABSA Bank Limited - De Aar Branch - Call Account Number 9 197 808 413		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 001		
Cash book balance at beginning of year	5,943	2,607,670
Cash book balance at end of year	6,069	5,943
Bank statement balance at beginning of year	5,943	2,673,620
Bank statement balance at end of year	6,069	5,943
First National Bank - De Aar Branch - Call Account Number 62338612105 / 808		
Cash book balance at beginning of year	2,523	96,720
Cash book balance at end of year	2,582	2,523
Bank statement balance at beginning of year	2,523	96,720
Bank statement balance at end of year	2,582	2,523
Nedbank Ltd - Kimberley Branch - Call Account Number 03/7662022900/000001		
Cash book balance at beginning of year	6,521,164	5,222,226
Cash book balance at end of year	730,274	6,521,164
Bank statement balance at beginning of year	6,521,164	5,222,226
Bank statement balance at end of year	730,274	6,521,164
Standard Bank of SA Limited - De Aar Branch - Call Account Number 388910356 - 002		
Cash book balance at beginning of year	557,303	65,950
Cash book balance at end of year	6,282	557,303
Bank statement balance at beginning of year	557,303	65,950
Bank statement balance at end of year	6,282	557,303
Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 002		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	27,304	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	27,304	-

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

Cash Floats and Advances	1,400	1,400
Total Cash on hand in Cash Floats, Advances and Equivalents	**1,400**	**1,400**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

	2014 R	2013 R

8. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	120,623	199,554
Operating Lease Revenue recorded	(25,602)	(78,931)
Operating Lease Revenue effected	-	-
Total Operating Lease Assets	**95,021**	**120,623**
Less: Amounts due for settlement within 12 months (Current Portion)	(31,791)	(25,602)
Operating Lease Assets due for settlement after 12 months (Non-current Portion)	**63,231**	**95,021**

8.1 Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the municipality with lease terms of between 5 to 11 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

8.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	31,791	25,602
2 to 5 years	63,230	95,021
More than 5 years	-	21,208
Total Operating Lease Arrangements	**95,021**	**141,830**

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R25 602 (2013: decrease of R78 931) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:
(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises
(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

9. PROPERTY, PLANT AND EQUIPMENT

2014

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Motor Vehicles	Computer Equipment	Furniture and Fittings	Machinery and Equipment	Leased Assets	Total
	R	R	R	R	R		R	R
Carrying values at 30 June 2013	**150,532,727**	**792,567,169**	**6,075,529**	**807,542**	**5,012,560**	**5,150,682**	**-**	**960,146,208**
Cost	278,590,413	1,860,426,593	8,806,331	2,664,031	8,855,373	9,108,152	-	2,168,450,893
- *Completed Assets*	*277,382,008*	*1,826,753,248*	*8,806,331*	*2,664,031*	*8,855,373*	*9,108,152*	-	*2,133,569,143*
- *Under Construction*	*1,208,405*	*33,673,346*	-	-	-	-	-	*34,881,751*
Accumulated Impairment Losses	-	-	(174,083)	(2,748)	(20,037)	(5,750)	-	(202,618)
Accumulated Depreciation	(128,057,687)	(1,067,859,424)	(2,556,719)	(1,853,741)	(3,822,776)	(3,951,720)	-	(1,208,102,067)
Acquisitions	264,643	3,994,882	958,604	381,405	94,748	254,769	-	5,949,051
Capital under Construction - Additions	235,000	15,273,319	-	-	-	-	-	15,508,319
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation	(11,020,912)	(53,753,108)	(748,297)	(242,264)	(850,197)	(782,041)	-	(67,396,819)
Carrying value of Tranfers to Held-for-Sale:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	(86,981)	(72,237)	(58,105)	(66,014)	-	(283,336)
- Cost	-	-	(159,265)	(452,591)	(330,003)	(339,819)	-	(1,281,678)
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	72,284	380,354	271,898	273,805	-	998,342
Impairment Losses	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Carrying values at 30 June 2014	**140,011,457**	**758,082,261**	**6,198,855**	**874,446**	**4,199,006**	**4,557,396**	**-**	**913,923,422**
Cost	279,090,056	1,879,694,794	9,605,670	2,592,846	8,620,118	9,023,102	-	2,188,626,585
- *Completed Assets*	*277,646,651*	*1,830,748,129*	*9,605,670*	*2,592,846*	*8,620,118*	*9,023,102*	-	*2,138,236,516*
- *Under Construction*	*1,443,405*	*48,946,664*	-	-	-	-	-	*50,390,069*
Accumulated Impairment Losses	-	-	(174,083)	(2,748)	(20,037)	(5,750)	-	(202,618)
Accumulated Depreciation	(139,078,599)	(1,121,612,532)	(3,232,732)	(1,715,652)	(4,401,075)	(4,459,955)	-	(1,274,500,545)

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

2013

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Motor Vehicles	Computer Equipment	Furniture and Fittings	Machinery and Equipment	Leased Assets	Total
	R	R	R	R	R		R	R
Carrying values at 30 June 2012	**159,981,541**	**834,430,260**	**6,905,101**	**1,152,725**	**6,288,426**	**6,365,444**	**-**	**2,155,272,415**
Cost	277,530,782	1,848,901,469	8,580,432	2,399,902	8,898,853	9,046,174	-	2,155,357,612
- *Completed Assets*	*276,824,785*	*1,826,352,407*	*8,580,432*	*2,399,902*	*8,898,853*	*9,046,174*	-	*2,132,102,552*
- *Under Construction*	*705,997*	*22,549,062*	-	-	-	-	-	*23,255,059*
Accumulated Impairment Losses	-	-	(68,088)	(868)	(14,371)	(1,870)	-	(85,197)
Accumulated Depreciation	(117,549,240)	(1,014,471,209)	(1,607,243)	(1,246,309)	(2,596,056)	(2,678,859)	-	-
Acquisitions	557,224	400,840	280,000	324,654	173,471	127,216	-	1,863,405
Capital under Construction - Additions	502,408	11,124,283	-	-	-	-	-	11,626,691
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation	(10,508,446)	(53,388,215)	(973,365)	(649,651)	(1,346,593)	(1,327,442)	-	(68,193,713)
Carrying value of Disposals:	-	-	-	(11,746)	(62,446)	(1,145)	-	(75,338)
- Cost	-	-	-	(22,583)	(113,572)	(6,198)	-	(142,353)
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	10,837	51,126	5,053	-	67,015
Carrying value of Tranfers to Held-for-Sale:	-	-	(30,213)	(2,871)	(29,137)	(9,511)	-	(71,732)
- Cost	-	-	(54,101)	(37,942)	(103,379)	(59,040)	-	(254,462)
- Accumulated Impairment Losses	-	-	-	3,688	5,494	-	-	9,183
- Accumulated Depreciation	-	-	23,888	31,383	68,747	49,529	-	173,547
Impairment Losses	-	-	(105,995)	(5,569)	(11,160)	(3,880)	-	(126,604)
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Carrying values at 30 June 2013	**150,532,727**	**792,567,169**	**6,075,529**	**807,542**	**5,012,560**	**5,150,682**	**-**	**960,146,208**
Cost	278,590,413	1,860,426,593	8,806,331	2,664,031	8,855,373	9,108,152	-	2,168,450,893
- *Completed Assets*	*277,382,008*	*1,826,753,248*	*8,806,331*	*2,664,031*	*8,855,373*	*9,108,152*	-	*2,133,569,143*
- *Under Construction*	*1,208,405*	*33,673,346*	-	-	-	-	-	*34,881,751*
Accumulated Impairment Losses	-	-	(174,083)	(2,748)	(20,037)	(5,750)	-	(202,618)
Accumulated	(128,057,687)	(1,067,859,424)	(2,556,719)	(1,853,741)	(3,822,776)	(3,951,720)	-	(1,208,102,067)

The leased Property, Plant and Equipment is secured as set out in Note 20.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

	2014 R	2013 R

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial

Motor Vehicles	-	30,213
Computer Equipment	-	2,871
Furniture and Fittings	-	29,137
Machinery and Equipment	-	9,511
Carrying Amount of PPE retired from active use and held for disposal	-	71,732

9.3 Assets pledged as security

No assets of the municipality have been pledged as security.

9.4 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R0 (2013: R126 604) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 33.

The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:

Motor Vehicles	-	174,083
Computer Equipment	-	2,748
Furniture and Fittings	-	20,037
Machinery and Equipment	-	5,750
Total Impairment of Property, Plant and Equipment	-	202,618

The impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.

9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

There was no change (2013: R0) in the estimated useful life of various assets of the municipality for the financial year.

9.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

	2014 R	2013 R
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	383,792	538,049

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 30 June 2013	538,049	538,049
Cost	1,884,661	1,884,661
Accumulated Amortisation	(1,346,611)	(1,346,611)
Acquisitions:	92,919	92,919
Purchased	92,919	92,919
Amortisation:	(247,176)	(247,176)
Purchased	(247,176)	(247,176)
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Carrying values at 30 June 2014	383,792	383,792
Cost	1,977,579	1,977,579
Accumulated Amortisation	(1,593,787)	(1,593,787)

	Computer Software	Total
Carrying values at 30 June 2012	1,062,346	1,062,346
Cost	1,820,752	1,820,752
Accumulated Amortisation	(758,406)	(758,406)
Acquisitions:	63,909	63,909
Purchased	63,909	63,909
Amortisation:	(588,205)	(588,205)
Purchased	(588,205)	(588,205)
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Carrying values at 30 June 2013	538,049	538,049
Cost	1,884,661	1,884,661
Accumulated Amortisation	(1,346,611)	(1,346,611)

The amortisation expense has been included in the line item Depreciation and Amortisation in the Statement of Financial Performance (see Note

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

The following restrictions apply to Intangible Assets:

- Financial Software:
  - (i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use the system.
  - (ii) The system may be used on only one database at any one time.
  - (iii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.
  - (iv) The municipality has no intellectual property rights to the system.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Significant Intangible Assets

The municipality has a Financial Accounting System, Abakus, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R244 149 (2013: R425 000).

	2014 R	2013 R

10. INTANGIBLE ASSETS (continued)

10.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

10.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

11. INVESTMENT PROPERTY

At Fair Value	5,004,000	5,004,000
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	**5,004,000**	**3,100,000**
Fair Value	5,004,000	3,100,000
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	-
Net Gains / (Losses) from Fair Value Adjustments	-	1,904,000
Impairment Losses during the Year	-	-
Disposals during the Year:	-	-
At Fair Value	-	-
At Accumulated Impairment	-	-
Carrying values at 30 June	**5,004,000**	**5,004,000**
Fair Value	5,004,000	5,004,000
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	**5,004,000**	**5,004,000**
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	-	-
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

Refer to Appendix "B" for more detail on Investment Property.

11.1 Investment Property carried at Fair Value

The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The following assumptions were used:		
Discount Rate	7.80%	6.74%

11.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting

	2014 R	2013 R
12. NON-CURRENT INVESTMENTS		
Listed		
Listed Shares	21,088	13,980
Total Investments		
All Investments	21,088	13,980
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	21,088	13,980
Market valuation of Listed Investments		
Listed Shares	21,088	13,980

Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

13. LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Other Loans	1,164	-	1,164
	1,164	-	1,164
Less: Current Portion transferred to Current Receivables:-			-
Other Loans			-
Total Long-term Receivables			1,164

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Other Loans	1,164	-	1,164
	1,164	-	1,164
Less: Current Portion transferred to Current Receivables:-			-
Other Loans			-
Total Long-term Receivables			1,164

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

	2014 R	2013 R

13. LONG-TERM RECEIVABLES (continued)

13.1 Ageing of Long-term Receivables

Current:		
0 - 30 days	-	-
Past Due:		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	1,164	1,164
Total	**1,164**	**1,164**

As at 30 June Long-term Receivables of R1 164 (2013: R1 164) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
+ 120 Days	1,164	1,164
Total	**1,164**	**1,164**

14. CONSUMER DEPOSITS

Electricity and Water	1,949,136	1,825,041
Total Consumer Deposits	**1,949,136**	**1,825,041**

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

15. PROVISIONS

Current Portion of Post-retirement Medical Aid Benefits Liability	1,000,584	882,492
Current Portion of Long-term Service	412,920	419,799
Total Provisions	**1,413,504**	**1,302,291**

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

2014	**Long-term Service** **R**	**Post-retirement** **R**
Balance at beginning of year	419,799	882,492
Contributions to provision	-	118,092
Expenditure incurred	-	-
Balance at end of year	**412,920**	**1,000,584**

	2014 R	2013 R

15. PROVISIONS (continued)

	Long-term Service R	Post-retirement R
2013		
Balance at beginning of year	-	778,080
Contributions to provision	419,799	104,412
Expenditure incurred	-	-
Balance at end of year	**419,799**	**882,492**

16. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	66,037	1,397,185
Payments received in Advance	1,852,624	738,817
Retentions	1,286,997	993,780
Staff Bonuses	1,873,069	1,648,427
Sundry Deposits	240,360	212,059
Other Creditors	2,698,912	1,830,329
Department of Housing	0	421,638
Salary Control Account	(0)	445,614
Accrued Leave	4,311,470	3,816,770
Total Payables	**12,329,470**	**11,504,617**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did default on payment of its reditors. However, no terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of reditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

17. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payments received in Advance	1,552,637	844,342
Total Payables	**1,552,637**	**844,342**

No credit period exists for Payables from non-exchange transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of creditors approximates their fair values.

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

	2014 R	2013 R
18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
18.1 Conditional Grants from Government	6,837,471	12,119,810
National Government Grants	1,510,962	6,053,160
Provincial Government Grants	5,287,322	5,793,667
Local Government Grants	39,188	272,983
18.2 Other Conditional Receipts	-	-
Public Contributions	-	-
Total Conditional Grants and Receipts	6,837,471	12,119,810

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 25 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

19. VAT PAYABLE		
VAT Payable	-	4,210,806

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

20. LONG-TERM LIABILITIES		
Annuity Loans	5,988,903	8,492,623
Sub-total	5,988,903	8,492,623
Less: Current Portion transferred to Current Liabilities:	(2,757,975)	(2,484,682)
Annuity Loans	(2,757,975)	(2,484,682)
Total Long-term Liabilities (Neither past due, nor impaired)	3,230,928	6,007,941

20.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 10 (2013: 5 to 10) years and at interest rates varying from 9.60% to 12.00% (2013: 9.60% to 12.00%) per annum. Annuity Loans are not secured.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

20.2 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

	2014 R	2013 R
21. EMPLOYEE BENEFITS		
Post-retirement Health Care Benefits Liability	31,349,656	28,838,662
Provision for Long Service Awards	2,670,572	2,513,513
Total Employee Benefits	34,020,228	31,352,175
21.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	29,721,154	25,908,685
Contributions to Provision	1,466,239	1,282,656
Increase due to Discounting	2,586,237	2,017,069
Expenditure incurred	(882,492)	(778,080)
Actuarial (Gains) /Losses	(540,898)	1,290,824
Balance at end of Year	32,350,240	29,721,154
Transfer to Current Provisions	(1,000,584)	(882,492)
Total Post-retirement Health Care Benefits Liabilitiy	31,349,656	28,838,662

Retirement Benefit Liabilities have been restated to adhere to the disclosure provisions of GRAP 25. Refer to Note 40 on "Change in Accounting Policy" for details of the restatement.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	53	53
In-service Non-members (Employees)	274	249
Continuation Members (Retirees, widowers and orphans)	30	29
Total Members	357	331

The liability in respect of past service has been estimated as follows:

In-service Members	18,259,872	17,336,007
Continuation Members	14,090,368	12,385,147
Total Liability	32,350,240	29,721,154

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2014 is estimated to be R1 466 239, whereas the cost for the ensuing year is estimated to be R1 828 833 (2013: R1 466 239 and R1 282 656 respectively).

	2014 R	2013 R

21. EMPLOYEE BENEFITS (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.06%	8.83%
Health Care Cost Inflation Rate	8.23%	7.65%
Net Effective Discount Rate	0.76%	1.10%
Expected Retirement Age - Females	59	59
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	29,721,154	25,908,685
Current service costs	1,466,239	1,282,656
Interest cost	2,586,237	2,017,069
Benefits paid	(882,492)	(778,080)
Actuarial losses / (gains)	(540,898)	1,290,824
Total Recognised Benefit Liability	**32,350,240**	**29,721,154**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	32,350,240	29,721,154
	32,350,240	29,721,154
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	32,350,240	29,721,154
Fair value of reimbursement rights recognised	-	-
Total Benefit Liability	**32,350,240**	**29,721,154**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1,466,239	1,282,656
Interest cost	2,586,237	2,017,069
Benefits paid	(882,492)	(778,080)
Actuarial losses / (gains)	(540,898)	1,290,824
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	**2,629,086**	**3,812,469**

The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	32,350,240	29,721,154	25,908,685	26,598,730	21,403,686
Deficit	**32,350,240**	**29,721,154**	**25,908,685**	**26,598,730**	**21,403,686**
Experienced adjustments on Plan Liabilities	32,891,138	28,430,330	29,078,560	26,598,730	21,403,686

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	4,839,500	3,940,700
Effect on the defined benefit obligation	37,942,000	34,607,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	3,427,400	2,790,400
Effect on the defined benefit obligation	27,846,000	25,768,000

Refer to Note 51, Multi-employer Retirement Benefit Information, to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally

	2014 R	2013 R

21. EMPLOYEE BENEFITS (continued)

21.2 Provision for Long Service Awards

	Long-service Awards R
30 June 2014	
Balance at beginning of year	2,933,312
Contributions to provision	421,885
Increase due to discounting	192,955
Expenditure incurred	(419,799)
Actuarial losses (gains)	(44,861)
	3,083,492
Transfer to current provisions	(412,920)
Balance at end of year	**2,670,572**

	Long-service Awards R
30 June 2013	
Balance at beginning of year	2,606,021
Contributions to provision	322,808
Increase due to discounting	157,132
Expenditure incurred	(239,250)
Actuarial losses (gains)	86,601
	2,933,312
Transfer to current provisions	(419,799)
Balance at end of year	**2,513,513**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 326 (2013: 299) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2014 is estimated to be R421 885 (2013: R322 808), whereas the cost for the ensuing year is estimated to be R312 023 (2013: R421 885).

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.87%	7.08%
Cost Inflation Rate	7.06%	6.70%
Net Effective Discount Rate	0.76%	0.35%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	2,933,312	2,606,021
Current service costs	421,885	322,808
Interest cost	192,955	157,132
Benefits paid	(419,799)	(239,250)
Actuarial losses / (gains)	(44,861)	86,601
Present Value of Fund Obligation at the end of the Year	**3,083,492**	**2,933,312**
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	**3,083,492**	**2,933,312**

	2014 R	2013 R
21. EMPLOYEE BENEFITS (continued)		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3,083,492	2,933,312
	3,083,492	2,933,312
Present value of unfunded obligations	-	-
	3,083,492	2,933,312
Unfunded Accrued Liability		
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	**3,083,492**	**2,933,312**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	421,885	322,808
Interest cost	192,955	157,132
Benefits paid	(419,799)	(239,250)
Actuarial losses / (gains)	(44,861)	86,601
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	**150,180**	**327,291**

The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	3,083,492	2,933,312	2,606,021
Deficit	**3,083,492**	**2,933,312**	**2,606,021**
Experienced adjustments on Plan Liabilities	3,128,535	2,933,312	2,606,021

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	649,600	509,600
Effect on the defined benefit obligation	3,274,000	3,109,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	583,600	453,200
Effect on the defined benefit obligation	2,909,000	2,773,000

The municipality expects to make a contribution of R352 831 (2013: R421 885) to the Defined Benefit Plans during the next financial year.

22. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	6,637,053	5,971,053
Total Non-current Provisions	**6,637,053**	**5,971,053**

	2014 R	2013 R

22. NON-CURRENT PROVISIONS (calculated)

The movement in Non-current Provisions are reconciled as follows:

	Land-fill Sites R
2014	
Balance at beginning of year	5,971,053
Contributions to provision	666,000
Increase due to discounting	-
	6,637,053
Transfer to current provisions	-
Balance at end of year	**6,637,053**

	Land-fill Sites R
2013	
Balance at beginning of year	2,467,105
Contributions to provision	3,503,948
Increase due to discounting	-
	5,971,053
Transfer to current provisions	-
Balance at end of year	**5,971,053**

22.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R6 637 053 (2013: R5 971 053) to restore the site at the end of its useful life (estimated to be as disclosed below). Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

The provision for rehabilitation are reconciled as follows :

The movement in Non-current Provisions are reconciled as follows:

Landfill site		
Balance at beginning of year	5,971,053	2,467,105
Contributions in current year	666,000	3,503,948
Rehabilitation expenditure during the year	-	-
Less: Transfer to Current Provisions	-	-
Balance of landfill site	**6,637,053**	**5,971,053**

The council will incur rehabilitation cost on its three dumping/landfill sites over the period 2012/13 up to 2018/19. Provision has been made for the net present value of this cost.

	Proposed rehabilitation	2014	2013
De Aar	2060/2061	5,050,114	4,692,982
Britstown	2027/2028	759,851	671,053
Hanover	2041/2042	827,088	607,018
		6,637,053	5,971,053

	2014 R	2013 R

23. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	2,252,793	2,252,793
Accumulated Surplus / (Deficit) due to the results of Operations	952,227,246	1,018,620,728
Total Accumulated Surplus	**954,480,039**	**1,020,873,521**

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

24. PROPERTY RATES

Property Rates	24,479,801	18,124,021
Less: Income Foregone	(3,561,970)	(903,887)
	20,917,831	**17,220,134**

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2013.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:
- Residential Properties: 0.0115 c/R (2013: 0.014657 c/R)
- State Owned Properties: 0.0150 c/R (2013: 0.014657 c/R)
- Business Properties: 0.0117 c/R (2013: 0.014726 c/R)
- Agricultural Properties: 0.0029 c/R (2013: 0.003664 c/R)

Rates are levied monthly on property owners and are payable the 7th of each month Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

25. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	34,819,000	34,322,000
Operational Grants	34,819,000	34,322,000
Conditional Grants	23,737,675	20,639,467
National: FMG	1,550,000	1,500,000
National: MIG	13,101,844	11,450,977
National: MSIG	890,000	800,000
National: EPWP	1,233,796	766,204
Provincial: Housing Accreditation	458,333	1,190,227
Provincial: Department of Roads	560,000	-
Provincial: Department of Sports, Arts and Culture (Library Grant)	679,000	682,000
Provincial: Department of Sports, Arts and Culture (Phundalwzi Upgrade)	-	-
Provincial: Department of Health	1,150,332	3,145,499
Provincial: Department of Education	235,000	-
Provincial: Department of Roads	1,829,187	261,359
Provincial: Department of Water Affairs	2,050,183	843,201
Other Spheres of Government: Various Grants	-	-
Total Government Grants and Subsidies	**58,556,675**	**54,961,467**

Operational Grants:

	2014 R	2013 R
25. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
25.1 National: Equitable Share	34,819,000	34,322,000

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R342 (2013: R308), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

Conditional Grants:

25.2 National: FMG

Balance unspent at beginning of year	-	-
Current year receipts	1,550,000	1,500,000
Conditions met - transferred to Revenue: Operating Expenses	(1,550,000)	(1,500,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.

25.3 National: MIG Funds

Balance unspent at beginning of year	6,053,160	4,768,432
Repayment of funds	(5,000,000)	(1,829,000)
Current year receipts	15,324,000	16,141,000
Conditions met - transferred to Revenue: Operating Expenses	(503,240)	-
Conditions met - transferred to Revenue: Capital Expenses	(12,598,604)	(11,450,977)
Conditions met - transferred to Revenue: VAT portion released	(1,763,804)	(1,576,296)
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	1,511,512	6,053,160

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). During the year R1 500 000 was withheld and R3 500 000 of the allocated amount was stopped due to slow spending.

At yearend, not all conditions were met in respect to the upgrading of infrastructure as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.

25.4 National: MSIG FuNds

Balance unspent at beginning of year	-	-
Current year receipts	890,000	800,000
Conditions met - transferred to Revenue: Operating Expenses	(890,000)	(800,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	-	-

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.

25.5 Provincial: Housing Accreditation

Balance unspent at beginning of year	-	-
Current year receipts	458,333	1,190,227
Conditions met - transferred to Revenue: Operating Expenses	(458,333)	(1,190,227)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	-	-

This grant was allocated to improve capacity within the administration of the municipality in respect to the Housing Department. All conditions attached to the grant were met. No funds have been withheld.

	2014 R	2013 R

25. GOVERNMENT GRANTS AND SUBSIDIES (continued)

25.6 National: Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	233,796	-
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(1,233,796)	(766,204)
Conditions met - transferred to Revenue: VAT portion released	-	-
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	**-**	**233,796**

This grant was used for the upgrading of Roads facilities. All conditions attached to the grant were met. No funds have been withheld.

25.7 Provincial: Department of Sports, Arts and Culture (Phundalwazi Upgrade)

Balance unspent at beginning of year	150,000	150,000
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT portion released		
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	**150,000**	**150,000**

This grant was allocated for the upgrade of the Phandulwazi Library in accordance with the submitted business plan. No funds have been withheld.

At yearend, not all conditions were met in respect to the upgrading of the library as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.

25.8 Provincial: Department of Sports, Arts and Culture (Library Grant)

Balance unspent at beginning of year	-	-
Current year receipts	679,000	682,000
Conditions met - transferred to Revenue: Operating Expenses	(679,000)	(682,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT portion released	-	-
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	**-**	**-**

This grant was allocated for the upgrading of library equipment and operating expenses. All conditions attached to the grant were met. No funds have been withheld.

25.9 Provincial: Department of Health

Balance unspent at beginning of year	3,410,938	6,996,807
Current year receipts	1,500,000	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(1,150,332)	(3,145,499)
Conditions met - transferred to Revenue: VAT portion released	(161,047)	(440,370)
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	**3,599,559**	**3,410,938**

The grant was received for the construction of the electrcity lines to the new hospital. All conditions attached to the grant were met. No funds have been withheld.

At yearend, not all conditions were met in respect to the construction of the electricity line as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.

	2014 R	2013 R

25. GOVERNMENT GRANTS AND SUBSIDIES (continued)

25.10 Provincial: Department of Education

Balance unspent at beginning of year	-	-
Current year receipts	1,500,000	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(235,000)	-
Conditions met - transferred to Revenue: VAT portion released	(32,900)	
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	**1,232,100**	**-**

The grant was received for the construction of a new athelicts field. All conditions attached to the grant were met. No funds have been withheld.

At yearend, not all conditions were met in respect to the construction of the athletics field as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.

25.11 Provincial: Department of Roads

Balance unspent at beginning of year	2,232,729	-
Current year receipts	-	2,500,000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(1,829,187)	(261,359)
Conditions met - transferred to Revenue: VAT portion released	(113,500)	(5,911)
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	**290,042**	**2,232,729**

This grant was allocated for the construction and upgrading of roads within the Nonzwakazi area. At yearend, not all conditions were met in respect to the revitalization of the roads as all funds received were not spent. This resulted in the unspent portion being recognised at yearend.

25.12 Provincial: Department of Water Affairs

Balance unspent at beginning of year	(0)	-
Current year receipts	2,065,804	950,518
Conditions met - transferred to Revenue: Operating Expenses	(123,970)	(843,201)
Conditions met - transferred to Revenue: Capital Expenses	(1,680,940)	-
Conditions met - transferred to Revenue: VAT portion released	(245,274)	(107,317)
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	**15,621**	**(0)**

This grant was used to combat leaks and for the installation of a disinfection system. All conditions attached to the grant were met. No funds have been withheld.

25.13 Provincial: Department of Roads

Balance unspent at beginning of year	-	-
Current year receipts	560,000	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(560,000)	-
Conditions met - transferred to Revenue: VAT portion released	-	-
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	**-**	**-**

This grant was allocated for the construction and upgrading of roads within the municipal boundries. All conditions attached to the grant were met. No funds have been withheld.

25.14 Other Government: Other

Balance unspent at beginning of year	39,188	39,188
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT portion released		
Conditions still to be met - transferred to Unspent Conditional Grants (see Note 18)	**39,188**	**39,188**

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. All conditions attached to the grant were met. No funds have been withheld.

	2014 R	2013 R

25. GOVERNMENT GRANTS AND SUBSIDIES (continued)

25.16 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2013), government grant funding is expected to increase over the forthcoming three financial years.

26. SERVICE CHARGES

Sale of Electricity	56,487,600	48,283,962
Sale of Water	18,745,519	16,433,534
Refuse Removal	5,705,360	5,322,955
Sewerage and Sanitation Charges	10,301,577	9,420,520
Other Service Charges	414,759	428,178
Total Service Charges	**91,654,816**	**79,889,148**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

27. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Halls	81,502	71,068
Rental Revenue from Land	586,428	840,947
Rental Revenue from Other Facilities	53,633	34,873
Total Rental of Facilities and Equipment	**721,563**	**946,889**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

28. INTEREST EARNED

Property Rates:		
Penalties imposed and Collection Charges	149,924	102,997
	149,924	**102,997**
External Investments:		
Bank Account	146,833	168,984
Investments	883,642	1,425,946
	1,030,475	**1,594,930**
Total Interest Received	1,030,475	1,594,930
Interest - Variable Rate Instruments	**1,030,475**	**1,594,930**
Outstanding Debtors:		
Outstanding Billing Debtors	625,352	493,738
	625,352	**493,738**
Total Interest Earned	**1,805,751**	**2,191,665**

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	1,030,475	1,594,930
Loans and Receivables	775,276	596,735
	1,805,751	2,191,665
Interest Earned on Non-financial Assets	-	-
	1,805,751	**2,191,665**

Revenue recognised in respect of Financial Assets designated as at fair value is disclosed in Note 39.

	2014 R	2013 R
29. OTHER REVENUE		
Building Plan Fees	62,205	39,961
Grave Fees	256,797	216,767
Sundries Levies	224,052	326,846
Own Income - VAT	2,071,251	2,129,894
Bad Debts Recovered	-	1,158,000
Reconnection Fees	219,587	242,949
Tender Documents	4,850	-
Other non material Income	132,886	126,711
Total Other Revenue	**2,971,628**	**4,241,129**

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 24 to 28, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

30. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	42,470,180	38,470,327
Basic Salaries and Wages	38,636,168	34,283,292
Long Service Bonuses	-	97,320
Leave Encashed	366,179	971,017
Service Bonuses	3,467,833	3,118,699
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	9,735,828	8,889,727
Group Life	50,478	60,193
Medical	2,272,783	1,890,632
Pension	6,460,521	6,093,777
Industrial Council Levy	26,264	23,764
Skills Development Levy	513,949	477,750
UIF	411,833	343,611
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2,537,967	2,325,113
Allowances	2,539,467	2,286,586
Pensioners Allowances	(1,500)	38,526
Housing Benefits and Allowances	108,794	130,410
Overtime Payments	2,261,599	2,111,266
Performance Bonuses	-	382,270
Defined Benefit Plan Expense:	2,779,266	4,139,760
Current Service Cost	1,005,632	827,384
Interest Cost	2,779,192	2,174,201
Benefits Paid	(419,799)	(239,250)
Net Actuarial (gains)/losses recognised	(585,759)	1,377,425
Total Employee Related Costs	**59,893,633**	**56,448,872**

No advances were made to employees.

Included in Employee Related Costs is an amount of R6 460 521 (2013: R6 093 777) paid by the municipality to Defined Contribution Plans at rates specified by the rules of the plans.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager		
Annual Remuneration	828,514	764,134
Performance Bonus	147,037	134,211
Car and Other Allowances	247,008	284,278
Company Contributions to UIF, Medical and Pension Funds	138,842	84,638
Total	**1,361,401**	**1,267,262**
Remuneration of the Chief Financial Officer		
Annual Remuneration	654,111	767,116
Performance Bonus	151,471	172,575
Car and Other Allowances	262,708	244,814
Company Contributions to UIF, Medical and Pension Funds	125,911	102,216
Total	**1,194,201**	**1,286,720**

	2014 R	2013 R
30. EMPLOYEE RELATED COSTS (continued)		
Remuneration of the Director: Community and Development Services		
Annual Remuneration	476,387	428,915
Performance Bonus	72,950	91,132
Car and Other Allowances	128,090	140,446
Company Contributions to UIF, Medical and Pension Funds	135,015	119,842
Total	**812,443**	**780,335**
Remuneration of the Director: Corporate Services		
Annual Remuneration	591,001	-
Performance Bonus	-	-
Car and Other Allowances	155,520	-
Company Contributions to UIF, Medical and Pension Funds	99,634	-
Total	**846,156**	**-**
Remuneration of the Director: Infrastructure and Housing Services		
Annual Remuneration	551,356	726,247
Performance Bonus	103,136	94,418
Car and Other Allowances	145,433	133,842
Company Contributions to UIF, Medical and Pension Funds	102,698	113,402
Total	**902,622**	**1,067,910**

The post was vacant from 1 May 2014 to 30 June 2014.

No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.

31. REMUNERATION OF COUNCILLORS		
Mayor	655,551	627,956
Speaker	651,917	509,803
Councillors	1,612,331	1,587,618
Company Contributions to UIF, Medical and Pension Funds	375,086	245,286
Other Allowances (Cellular Phones, Housing, Transport, etc)	862,300	722,918
Total Councillors' Remuneration	**4,157,184**	**3,693,580**

Remuneration of Councillors:

In-kind Benefits
The Councillors occupying the positions of Mayor and Speaker. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor has use of a Council owned vehicle for official duties.

32. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	67,396,819	68,193,713
Amortisation: Intangible Assets	247,176	588,205
Total Depreciation and Amortisation	**67,643,995**	**68,781,918**
33. IMPAIRMENT LOSSES		
33.1 Impairment Losses on Fixed Assets		
Impairment Losses Recognised:	-	126,604
Property, Plant and Equipment	-	126,604
Impairment Losses Reversed:	-	-
Property, Plant and Equipment	-	-
	-	**126,604**

	2014 R	2013 R
33. IMPAIRMENT LOSSES (continued)		
33.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	53,425,436	6,746,156
Receivables from Exchange Transactions	26,462,276	5,887,099
Receivables from Non-exchange Transactions	26,963,160	859,056
Impairment Losses Reversed:	-	-
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	-
	53,425,436	6,746,156
Total Impairment Losses	53,425,436	6,872,760
34. FINANCE COSTS		
The municipality did not incur any Finance Cost.		
Bank Overdraft	9,797	9,110
Creditors Overdue	62,123	-
Finance Leases	-	1,539
Current Borrowings	783,203	1,030,783
Total Interest Paid on External Borrowings	855,123	1,041,433
The weighted average capitalisation rate on funds borrowed generally is 5.27% per annum (2013: 5.24% per annum).		
35. BULK PURCHASES		
Electricity	42,152,616	37,634,290
Water	1,382,964	1,147,195
Total Bulk Purchases	43,535,580	38,781,485
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from various sources.		
36. CONTRACTED SERVICES		
Professional Fees	1,818,929	1,932,611
Security Services	2,112,430	1,538,610
Other Contracted Services	3,053,818	3,786,188
Total Contracted Services	6,985,177	7,257,409
37. GRANTS AND SUBSIDIES PAID		
Community Projects	4,200	(630)
Other	203,600	305,500
Total Grants and Subsidies	207,800	304,870

	2014 R	2013 R

38. GENERAL EXPENSES

Included in General Expenses are the following:

Advertising	133,638	190,468
Assessment Rates and Municipal Charges	2,188,433	1,931,898
Audit Fees	2,036,893	1,688,335
Bank Charges	334,543	306,782
Branding of the Municipality	14,438	255,537
Cleaning Materials	105,186	103,459
Conference Fees	60,604	21,274
Driving License Fees	96,278	78,150
Electricity Rural Water Pumps	1,098,306	1,186,049
Entertainment	224,532	119,728
Festivals	-	382,705
Fuel and Oil	2,989,650	2,767,493
Grave Excavations	68,613	85,025
HR Employee Wellness	2,052,590	1,252,098
IDP Review	60,298	7,531
Insurance	1,325,172	968,488
Internal Audit	33,588	11,378
Legal Costs	85,516	106,359
Levies: SALGA	532,714	445,180
License Fees and Subscriptions	286,580	327,737
Lost due to Fraud	-	649,185
Magazines and Reference Work	-	14,330
Motor Vehicle Expenses	139,901	87,369
Printing and Stationery	1,181,549	925,558
Protective Clothing	202,813	490,402
Sundry Expenses	543,317	1,069,732
Strategic Planning Expenses	283,231	210,162
Telephone Cost	1,105,126	1,074,578
Tourism Strategy	227,849	64,891
Training Costs	175,461	(2,294)
Travelling and Subsistence	1,948,659	1,928,521
Water	135,314	796,522
Workmen's Compensation	5,550	322,136
Youth Development Programme	74,334	101,963
Total General Expenses	**19,750,677**	**19,968,729**
38.1 Material Losses	**-**	**649,185**
Lost due to Fraud	-	649,185

No other extra-ordinary expenses were incurred.

39. OTHER GAINS AND LOSSES

Change in Fair Value of Financial Assets designated as at FVTPL	7,108	3,040
Change in Fair Value of Investment Property	-	1,904,000
Net Other Gains and Losses	**7,108**	**1,907,040**

40. CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 30 June 2014 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

GRAP 25: Employee Benefits

Defined benefit liabilities for Post-employment Health Care Benefits and Long Service Allowances have been recognised in the Annual Financial Statements of the municipality as at 30 June 2014 in terms of GRAP 25. GRAP 26 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 25 and IAS 19 are similar.

41. CORRECTION OF ERROR

Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2013 and 30 June 2014. Details of the adjustments are as follows:

Statement of Financial Position:

	2014 R	2013 R
Property, Plant and Equipment	960,146,208	971,261,240
Investment Properties	5,004,000	5,004,000
Intangible Assets	538,049	538,049
Non-current Investments	13,980	13,980
Operating Lease Receivables	95,021	95,021
Long-term Receivables	1,164	1,164
Inventories	65,305,530	52,944,866
Non-current Assets Held-for-Sale	71,732	71,732
Receivables from Exchange Transactions	46,603,596	46,603,596
Receivables from Non-exchange Transactions	10,051,550	10,051,549
Cash and Cash Equivalents	17,196,489	17,196,489
Current Portion of Operating Lease Receivables	25,602	25,602
Consumer Deposits	(1,825,041)	(1,825,041)
Provisions	(882,492)	(882,492)
Payables from Exchange Transactions	(11,504,617)	(10,019,658)
Payables from Non-exchange Transactions	(844,342)	(844,342)
Unspent Conditional Grants and Receipts	(12,119,810)	(12,541,448)
VAT Payable	(4,210,806)	(4,223,247)
Bank Overdraft	(6,497,280)	(6,498,375)
Current Portion of Long-term Borrowings	(2,484,682)	(2,484,682)
Long-term Liabilities	(6,007,941)	(6,007,941)
Employee Benefits	(31,771,974)	(28,838,662)
Non-current Provisions	(5,971,053)	(8,904,365)
Accumulated Surplus - Opening Balance	(1,069,504,058)	(1,069,504,053)
Accumulated Surplus - Prior Period Error	1,188,100	-
Accumulated Surplus - Surplus (Loss) for the Year	47,383,076	48,767,017
	0	(0)

Statement of Financial Performance:

Service Charges	(5,002)
Repairs and Maintenance	(96,439)
General Expenses	65,404
Depreciation and Amortisation	(143,481)
Loss on Disposal of Property, Plant and Equipment	(10,893)
Loss on Sale of Land	(1,193,530)
	(1,383,941)

The details of the reclassifications of correction of errors made are as follows:

41.1 Reclassification of Department of Housing debtor (creditor) at yearend

During the 2013/2014 financial year guidance was received that indicated the at the Municipality merely acts as an agent of COGHTA during housing projects. For this reason any outstanding balances at yearend should be recognised as a debtor (where amounts are receivable) or as a creditor (if unspent portions remain) and should not be presented and disclosed as 'Unspent Conditional Grants and Receipts'. The Municipality has subsequently reclassified these balances in the current financial year and retrospectively adjusted these disclosures.

The effect is as follows:

Statement of Financial Position		
(Increase) / decrease in Creditors from Exchange Transactions	(421,638)	(421,638)
(Increase) / decrease in Unspent Conditional Grants	421,638	421,638
	-	-

	2014 R	2013 R

41. CORRECTION OF ERROR (continued)

41.2 Reclassification of Long Service Award Provision at yearend

The Long Service Award Provision was previously disclosed as a 'Non-current Provision'. Through a review it was found that this provision is an 'Employee Benefit' (as defined by GRAP 25) as has subsquently been classified as such.

The effect is as follows:

Statement of Financial Position		
(Increase) / decrease in Employee Benefits	(2,933,312)	(2,933,312)
(Increase) / decrease in Non-current provisions	2,933,312	2,933,312
	-	-

41.3 Accounting for retention funds at year end

In order to ensure full compliance with the accounting standards and supporting contract agreements, management embarked on a process to identify all retention funds for the financial years presented in the Annual Financial Statements. These adjustments were retrospectively made.

The effect is as follows:

Statement of Financial Position		
(Increase) / decrease in Accumulated Surplus	(96,439)	-
Increase / (decrease) in Property, Plant and Equipment	1,090,219	1,090,219
(Increase) / decrease in Creditors from Exchange Transactions	(993,780)	(993,780)
Statement of Financial Performance		
Increase / (decrease) in Repairs and Maintenance		(96,439)
	-	-

41.4 Accruals for the 2013 financial year not previously recorded

During the current financial year, management became aware of accurals that were not previously disclosed. The necessary correction was retrospectively made to the Annual Financial Statements.

The effect is as follows:

Statement of Financial Position		
(Increase) / decrease in Accumulated Surplus	64,821	-
Increase / (decrease) in VAT	599	599
(Increase) / decrease in Creditors from Exchange Transactions	(65,420)	(69,542)
Statement of Financial Performance		
Increase / (decrease) in General Expenses		68,943
	-	-

	2014 R	2013 R

41. CORRECTION OF ERROR (continued)

41.5 Correction of VAT not previulsy claimed

Management performed a VAT review during the year. It was found that certain input VAT claims were not made by the Municipality during the 2012, 2013 and 2014 financial years. The necessary correction was retrospectively made to the Annual Financial Statements.

The effect is as follows:

Statement of Financial Position		
(Increase) / decrease in Accumulated Surplus	(11,842)	(4,396)
Increase / (decrease) in VAT	11,842	11,842
Statement of Financial Performance		
(Increase) / decrease in Service Charges		(5,002)
Increase / (decrease) in General Expenses		(2,444)
	-	-

41.6 Accounting for cancelled cheques

During the current financial year, a number of cheques were cancelled during the financial year. The necessary correction was retrospectively made to the Annual Financial Statements.

The effect is as follows:

Statement of Financial Position		
(Increase) / decrease in Accumulated Surplus	(1,095)	-
Increase / (decrease) in Cash and Cash Equivalents	1,095	1,095
Statement of Financial Performance		
Increase / (decrease) in General Expenses		(1,095)
	-	-

41.7 Inventory (property-held-for-sale) restated

During the current financial year, management revisited all erven registered in the name of the municipality. This resulted in a number of corrections being made, reclassifications being done and valuation adjustments. These adjustments were made retrospectively.

The effect is as follows:

Statement of Financial Position		
(Increase) / decrease in Accumulated Surplus	(12,360,664)	(11,167,134)
Increase / (decrease) in Inventory	12,360,664	12,360,664
Statement of Financial Performance		
Increase / (decrease) in Loss on Sale of Land		(1,193,530)
	-	-

	2014 R	2013 R

41. CORRECTION OF ERROR (continued)

41.8 Property, plant and equipment restated

During the current financial year, management revisited all erven registered in the name of the municipality. This resulted in a number of corrections being made, reclassifications being done and valuation adjustments. These adjustments were made retrospectively.

The effect is as follows:

Statement of Financial Position		
(Increase) / decrease in Accumulated Surplus	12,205,252	12,359,629
Increase / (decrease) in Property, Plant and Equipment	(12,205,252)	(12,205,252)
Statement of Financial Performance		
Increase / (decrease) in Depreciation and Amortisation		(143,484)
Increase / (decrease) in Loss on Disposal of Property, Plant and Equipment		(10,893)
	-	-

41.9 Motor registration revenue incorrectly recgonised

During the 2013 financial year, receipts were recorded double in the financial records, once as motor registration income. On inspection of the bank reconciliation, it was found that these were transfers from the inevstement accounts (which were correctly receipted). Management subsequently reversed these receipts.

The effect is as follows:

Statement of Financial Position		
(Increase) / decrease in Accumulated Surplus	(59,362)	-
Increase / (decrease) in Cash and Cash Equivalents	59,362	59,362
Statement of Financial Performance		
(Increase) / decrease in Licences and Permits		(59,362)
	-	-

42. CHANGE IN ACCOUNTING ESTIMATES

There was no change in the estimated useful life of various assets (liabilities) of the municipality for the financial year.

43. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	(66,393,482)	(47,442,435)
Adjustment for:		
Correction of Prior Year Errors	-	(1,188,100)
Depreciation and Amortisation	67,643,995	68,781,918
Impairment Losses on Property, Plant and Equipment	-	126,604
Losses / (Gains) on Disposal of Property, Plant and Equipment	(164,093)	75,338
Fair Value adjustment of Investment Property	-	(1,904,000)
Fair Value adjustment of Non-current Investment	(7,108)	(3,040)
Profit on Sale of Land	203,456	-
Contribution to Retirement Benefit Liabilities	2,779,266	3,812,469
Contribution to Non-current Provisions	666,000	3,831,227
Bad Debts Written-off	-	-
Operating surplus before working capital changes	**4,728,033**	**26,089,981**
Decrease/(Increase) in Inventories	48,668	1,248,845
Decrease/(Increase) in Receivables from Exchange Transactions	16,114,935	(8,460,786)
Decrease/(Increase) in Receivables from Non-exchange Transactions	249,299	(2,044,741)
Increase/(Decrease) in Consumer Deposits	124,095	43,082
Increase/(Decrease) in Payables from Exchange Transactions	824,853	(590,060)
Increase/(Decrease) in Payables from Non-exchange Transactions	708,295	(248,627)
Increase/(Decrease) in Conditional Grants and Receipts	(5,282,339)	587,021
Increase/(Decrease) in VAT Payable	(4,473,586)	1,842,886
Cash generated by / (utilised in) Operations	**13,042,254**	**18,467,601**

	2014 R	2013 R

44. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2014 financial year.

45. FINANCING FACILITIES

Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	1,000,000	1,000,000
	1,000,000	**1,000,000**
Unsecured Credit Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	50,000	50,000
	50,000	**50,000**
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	800,000	800,000
	800,000	**800,000**

46. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 20)	5,988,903	8,492,623
Used to finance Property, Plant and Equipment - at cost	(5,988,903)	(8,492,623)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

47.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under

Reconciliation of Unauthorised Expenditure:		
Opening balance	-	55,530,424
Unauthorised Expenditure current year	103,524,244	54,229,999
Approved by Council or condoned	-	(109,760,423)
Unauthorised Expenditure awaiting authorisation	**103,524,244**	-

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	*To be condoned by Council*
Executive and Council: R2 877 571	
Finance and Administration: R1 923 665	
Planning and Development: R8 636 300	
Housing: R1 992 247	
Waste Management: R10 239 674	
Roads: R6 596 887	
Water: R23 805 726	
Electricity: R27 556 383	

The above Unauthorised Expenditure is mainly atrributable to Depreciation and Amortisation (Note 32) and Impairment Losses (Note 33). These items are "non-cash items" and does not represent any cash flow, which resulted in the Municipality not budgeting for these expenses.

A recalculation done by management, adjusting the expenditure with the Depreciation and Amortisation and Impairment Losses (as disclosed) indicated that the only vote overspend was the 'Executive and Council' vote (R2 686 121).

	2014 R	2013 R

47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)

47.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	798,860	-
Fruitless and Wasteful Expenditure current year	61,831	798,860
Condoned or written off by Council	-	-
Fruitless and Wasteful Expenditure awaiting condonement	**860,691**	**798,860**

Incident	Disciplinary Steps / Criminal Proceedings
The fruitless and wasteful expenditure identified was inspected and it can be categorised as follows:	
Interest paid on outstanding creditors not paid within the required timefarme: R61 831	

47.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening balance	39,350,217	16,257,924
Irregular Expenditure current year	13,001,874	23,092,293
Condoned or written off by Council	-	-
Irregular Expenditure awaiting condonement	**52,352,091**	**39,350,217**

Incident	Disciplinary Steps / Criminal Proceedings
The irregular expenditure identified was inspected and it can be categorised as follows:	
The required number of quotations (3) were not obtained. These items were also not reported to council as a deviation during the financial year and is therefore irregular = R863 400.	
Tax clearance certificates are not in place for certain costs incurred above R15 000. This is an administrative weakness that has lead to irregular expenditure (as defined) and in no way has funds been misappropriated = R2 519 156.	
MBD 4 forms (declaration of interests) are not in place for certain costs incurred above R10 000. This is an administrative weakness that has lead to irregular expenditure (as defined) and in no way has funds been misappropriated = R6 974 596.	
MBD 1 forms are not in place for certain costs incurred above R10 000. This is an administrative weakness that has lead to irregular expenditure (as defined) and in no way has funds been misappropriated = R2 644 721.	

48. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

48.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	549,386	445,180
Amount Paid - current year	(549,386)	(445,180)
Amount Paid - previous years	-	-
Balance Unpaid (Included in Creditors)	**-**	**-**

48.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	2,036,893	1,686,335
Amount Paid - current year	(2,036,893)	(1,686,335)
Amount Paid - previous years		-
Balance Unpaid (Included in Creditors)	**-**	**-**

48.3 VAT

The net of VAT input payables and VAT output receivables are shown in Notes 7 and 19. All VAT returns have been submitted by the due date throughout the year.

	2014 R	2013 R

48. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

48.4 PAYE, Skills Development Levy and UIF

Opening Balance	445,612	-
Current year Payroll Deductions	6,793,909	6,055,857
Amount Paid - current year	(6,793,909)	(5,610,245)
Amount Paid - previous years	(445,612)	-
Balance Unpaid (included in Creditors)	**-**	**445,612**

48.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	12,296,351	12,005,713
Amount Paid - current year	(12,296,351)	(12,005,713)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	**-**	**-**

48.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

2014	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Kivedo MC	14,795	4,469	10,326
Councillor Jaftha AF	4,759	3,820	939
Total Councillor Arrear Consumer Accounts	**19,554**	**8,289**	**11,265**

2013	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Kivedo MC	10,069	482	9,587
Councillor Jood J	311	487	(176)
Councillor Witbooi WA	2,840	1,156	1,683
Total Councillor Arrear Consumer Accounts	**13,219**	**2,125**	**11,094**

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

2014	Highest amount outstanding	Ageing
Councillor Kivedo MC	10,326	> 90 Days
Councillor Jaftha AF	1,180	> 90 Days

2013	Highest amount outstanding	Ageing
Councillor Kivedo MC	12,115	> 90 Days
Councillor Jood J	1,021	> 90 Days
Councillor Witbooi WA	2,464	> 90 Days

48.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The municipality has developed a supply chain management policy which was only approved by Council in September 2005. This policy is reveiwed
No known matters existed at reporting date.

	2014 R	2013 R

48. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

48.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The majority of the items mentioned resulted from the municipality not being able to obtain the required 3 quotations, due various reasons of which the following is the most common:
- Only 2 suppliers are registered on the municipal database that can do the work;
- Only service provider within a 300km radius;
- Advertising required in the local newspaper; and
- Only 1 or 2 quotations received.

The following deviations from the stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Successful tenderer	Month	Reasons	1 quotation	2 quotations
Various suppliers	July 2013	In most instances, only one (1) local supplier could provide the municipality with the required goods. During July 2013, R20 000 was paid to Konica Minolta for the procurement of the machine, previously leased and R29 486 to Komatsu for the procurement of genuine parts.	71,727	-
Various suppliers	August 2013	R87 000 of the deviated total is represented by three payments made to sole providers (Active Phambili Civils and Rocla). The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods.	120,470	30,185
Various suppliers	September 2013	R81 000 was paid during the month to De Aar Stone Crushers, which is the only local supplier of stone in the area. The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods.	112,801	2,700
Various suppliers	October 2013	R60 000 of the deviated total is represented by payments made to sole providers (Rocla). In the majority of instances, no more than one (1) supplier could submit quotations to the municipality.	211,957	15,924
Various suppliers	November 2013	In most instances, only two (2) service providers were able to meet the needs of the municiplaity. AAS Operation were paid R26 806 for procurement of which they were the only suppliers locally.	59,876	38,157
Various suppliers	December 2013	R6 000 was paid to Redi Box WC, the sole manufacturer of Redi Box Files. The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods.	11,447	7,121
Various suppliers	January 2014	R69 941 was paid to Tosas, as they were the only supplier with a valid tax clearance certficate that could provide the required goods.	136,924	9,961
Various suppliers	February 2014	Autolec is the only provider that can repaid wearing vehicles locally. Furthermore, Tri-Lectro is the only supplier able to locate faulty wires in the area, resulting in only one quotation being obtained, amounting to R29 784. The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods.	123,889	95,973
Various suppliers	March 2014	Only two (2) local suppliers can provide buglar proofing, resulting in a payment of R23 142 made to Dumas Engineurswerke. Rocla is the only local provider for concrete work, whilst Precision Hydrualics was the only supplier that could repair a hydrualic crane. The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods.	98,164	25,778

	2014 R	2013 R

48. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Successful tenderer	Month	Reasons	1 quotation	2 quotations
Various suppliers	April 2014	Rocla is the only local provider for concrete work, whilst Tosas is one of the two (2) suppliers of tar within the radius. The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods.	81,334	50,426
Various suppliers	May 2014	Due to quality being sought, the Swop Shop was paid R27 184 for the procurement of chairs. Tosas is one of the two (2) suppliers of tar within the radius. The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods.	104,908	7,095
Various suppliers	June 2014	Tri-Lectro is the only supplier able to locate faulty wires in the area, resulting in only one quotation being obtained, amounting to R126 840. For the printing of the Annual Report, only Swift Print submitted a quotation (R123 659). The remaining deviations is the result of only one (1) of two (2) local suppliers being able to provide the required goods.	352,413	26,806

48.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2014	Unaccounted Electricity Losses	7,503,467	0.7400	5,552,566
30 June 2013	Unaccounted Electricity Losses	8,234,071	0.6800	5,599,168

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Volumes in kWh/year:		
System Input Volume	57,021,523	55,479,545
Billed Consumption	(44,956,334)	(42,807,111)
Unaccounted	12,065,189	12,672,434
Normal distribution losses - % of electricity purchases	(4,561,722)	(4,438,364)
Distribution Loss	7,503,467	8,234,071
Percentage Distribution Loss	13.16%	14.84%
Loss (R):	5,552,566	5,599,168

Water:

		Lost Units	Tariff	Value
30 June 2014	Unaccounted Water Losses	651,544	0.7632	497,258
30 June 2013	Unaccounted Water Losses	565,117	0.6838	386,444

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

	2014 R	2013 R
49. COMMITMENTS FOR EXPENDITURE		
49.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	**19,777,541**	**9,851,171**
Infrastructure	19,725,060	9,209,751
Other	-	302,000
Housing	52,481	339,420
- Approved but Not Yet Contracted for:-	-	-
Infrastructure	-	-
Other	-	-
Housing	-	-
Total Capital Commitments	**19,777,541**	**9,851,171**
This expenditure will be financed from:		
Government Grants	19,777,541	9,549,171
Own Resources	-	302,000
	19,777,541	**9,851,171**
Commitments for the acquisition of Property, Plant and Equipment		

49.2 Other Commitments

The municipality has entered into a contract with Nationwide Security for the provision of security services, which will end during the 2015 financial

The municipality has entered into a contract with SmartMetro for the development of a revenue enhancement strategy and the implementation thereof. The municipality furthermore entered into a contract with OMA Chartered Accountants for the review and identification of possible VAT savings.

The municipality has entered into a contract with Fortogenic Solutions for the provision of employee wellness and health programmes.

50. FINANCIAL INSTRUMENTS

50.1 Classification

FINANCIAL ASSETS:
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification		
Non-current Investments			
Listed Investments	Fair value	21,088	13,980
Long-term Receivables			
Other Loans	Amortised cost	1,164	1,164
Receivables from Exchange Transactions			
Electricity	Amortised cost	10,218,377	12,187,594
Refuse	Amortised cost	3,068,820	5,165,851
Sewerage	Amortised cost	6,053,654	10,717,311
Water	Amortised cost	10,253,713	17,215,263
Other Receivables	Amortised cost	894,098	1,317,578
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	6,333,528	9,189,949
Payment in Advance	Amortised cost	74,698	75,335
Sundry Deposits	Amortised cost	1,014,610	109,610
Sundry Debtors	Amortised cost	2,379,415	676,656
Cash and Cash Equivalents			
Call Deposits	Amortised cost	772,511	7,098,439
Notice Deposits	Amortised cost	10,522,283	9,927,906
Bank Balances	Amortised cost	914,009	168,744
Cash Floats and Advances	Fair value	1,400	1,400

		2014 R	2013 R
50. FINANCIAL INSTRUMENTS (continued)			
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Long-term Receivables	Other Loans	1,164	1,164
Receivables from Exchange Transactions	Electricity	10,218,377	12,187,594
Receivables from Exchange Transactions	Refuse	3,068,820	5,165,851
Receivables from Exchange Transactions	Sewerage	6,053,654	10,717,311
Receivables from Exchange Transactions	Water	10,253,713	17,215,263
Receivables from Exchange Transactions	Other Debtors	894,098	1,317,578
Receivables from Non-exchange Transactions	Assessment Rates Debtors	6,333,528	9,189,949
Receivables from Non-exchange Transactions	Payment in Advance	74,698	75,335
Receivables from Non-exchange Transactions	Sundry Deposits	1,014,610	109,610
Receivables from Non-exchange Transactions	Sundry Debtors	2,379,415	676,656
Cash and Cash Equivalents	Call Deposits	772,511	7,098,439
Cash and Cash Equivalents	Bank Balances	914,009	168,744
Cash and Cash Equivalents	Notice Deposits	10,522,283	9,927,906
		52,500,879	73,851,398
Financial Assets at Fair Value:			
Non-current Investments	Listed Investments	21,088	13,980
Cash and Cash Equivalents	Cash Floats and Advances	1,400	1,400
		22,488	15,380
Total Financial Assets		52,523,367	73,866,778

FINANCIAL LIABILITIES:
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Financial Liabilities	Classification		
Long-term Liabilities			
Annuity Loans	Amortised cost	8,746,879	10,977,305
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	66,037	1,397,185
Payments received in Advance	Amortised cost	1,852,624	738,817
Retentions	Amortised cost	1,286,997	993,780
Staff Bonuses	Amortised cost	1,873,069	1,648,427
Sundry Deposits	Amortised cost	240,360	212,059
Other Creditors	Amortised cost	2,698,912	1,830,329
Department of Housing	Amortised cost	0	421,638
Salary Control Account	Amortised cost	(0)	445,614
Accrued Leave	Amortised cost	4,311,470	3,816,770
Payables from Non-exchange Transactions			
Payments received in Advance	Amortised cost	1,552,637	844,342
Bank Overdraft			
Bank Overdraft	Amortised cost	11,924,753	6,556,641
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	2,757,975	2,484,682

		2014 R	2013 R
50. FINANCIAL INSTRUMENTS (continued)			
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	8,746,879	10,977,305
Payables from Exchange Transactions	Trade Creditors	66,037	1,397,185
Payables from Exchange Transactions	Payments received in Advance	1,852,624	738,817
Payables from Exchange Transactions	Retentions	1,286,997	993,780
Payables from Exchange Transactions	Staff Bonuses	1,873,069	1,648,427
Payables from Exchange Transactions	Sundry Deposits	240,360	212,059
Payables from Exchange Transactions	Other Creditors	2,698,912	1,830,329
Payables from Exchange Transactions	Department of Housing	0	421,638
Payables from Exchange Transactions	Salary Control Account	(0)	445,614
	Accrued Leave	4,311,470	3,816,770
Payables from Non-exchange Transactions	Payments received in Advance	1,552,637	844,342
Current Portion of Long-term Liabilities	Annuity Loans	2,757,975	2,484,682
Bank Overdraft	Bank Overdraft	11,924,753	6,556,641
		37,311,714	32,367,589
Total Financial Liabilities		37,311,714	32,367,589

50.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Non-current Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2014, as a result of the short-term maturity of these assets and liabilities.

	2014 R	2013 R

50. FINANCIAL INSTRUMENTS (continued)

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	2014		2013	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	**52,500,879**	**52,500,879**	**73,851,398**	**73,851,398**
Notice Deposits	10,522,283	10,522,283	9,927,906	9,927,906
Long-term Receivables	1,164	1,164	1,164	1,164
Trade Receivables from Exchange Transactions	30,488,661	30,488,661	46,603,596	46,603,596
Trade Receivables from Non-exchange Transactions	9,802,251	9,802,251	10,051,550	10,051,550
Bank Balances and Cash	914,009	914,009	168,744	168,744
Call Deposits	772,511	772,511	7,098,439	7,098,439
Measured at Fair Value	**22,488**	**22,488**	**15,380**	**15,380**
Listed Investments	21,088	21,088	13,980	13,980
Bank Balances and Cash	1,400	1,400	1,400	1,400
Total Financial Assets	**52,523,367**	**52,523,367**	**73,866,778**	**73,866,778**
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	**37,311,714**	**37,311,714**	**32,367,589**	**32,367,589**
Annuity Loans	8,746,879	8,746,879	10,977,305	10,977,305
Bank Overdraft	11,924,753	11,924,753	6,556,641	6,556,641
Trade and Other Payables:				
- Payables from Exchange Transactions	12,329,470	12,329,470	11,504,617	11,504,617
- Payables from Non-exchange Transactions	1,552,637	1,552,637	844,342	844,342
- Current Portion of Long-term Liabilities	2,757,975	2,757,975	2,484,682	2,484,682
Total Financial Liabilities	**37,311,714**	**37,311,714**	**32,367,589**	**32,367,589**
Total Financial Instruments	**15,211,653**	**15,211,653**	**41,499,190**	**41,499,190**
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-
Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-
Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-
Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Class is one level lower than category.

	2014 R	2013 R

50. FINANCIAL INSTRUMENTS (continued)

30 June 2014

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	21,088	-	-	21,088
Bank Balances and Cash	-	1,400	-	1,400
Total Financial Assets	21,088	1,400	-	22,488
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Other Loans	-	-	-	-
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	21,088	1,400	-	22,488

30 June 2013

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	13,980	-	-	13,980
Bank Balances and Cash	-	1,400	-	1,400
Total Financial Assets	13,980	1,400	-	15,380
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Other Loans	-	-	-	-
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	13,980	1,400	-	15,380

50.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 20, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95.00%, reducing 90.00%. This aggressive ratio is as a result of the development challenges faced by the municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	37,311,714	32,367,589
Cash and Cash Equivalents	(1,400)	(1,400)
Net Debt	37,310,314	32,366,189
Equity	954,480,039	1,020,873,521
Net debt to equity ratio	3.91%	3.17%

	2014 R	2013 R

50. FINANCIAL INSTRUMENTS (continued)

Debt is defined as Long- and Short-term Liabilities, as detailed in Notes 7, 16, 17 and 20.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

50.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

50.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:
- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 50.8 and 50.9 to the Annual Financial Statements.

	2014 R	2013 R

50. FINANCIAL INSTRUMENTS (continued)

50.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

50.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

50.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.
The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

50.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

	2014 R	2013 R

50. FINANCIAL INSTRUMENTS (continued)

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:
- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as

Fixed Deposit Investments	21,088	13,980
Long-term Receivables	1,164	1,164
Consumer Debtors	75,809,441	80,607,597
Other Debtors	36,765,411	13,281,324
Bank, Cash and Cash Equivalents	285,450	10,639,847
Maximum Credit and Interest Risk Exposure	**112,882,554**	**104,543,912**

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	70.68%	88.39%
- Industrial / Commercial	3.71%	5.25%
- National and Provincial Government	4.86%	5.44%
- Other Classes	0.00%	0.00%
Other Debtors:		
- Other not Classified	20.75%	0.92%
Total Credit Risk	**100.00%**	**100.00%**

	2014 R	2013 R
50. FINANCIAL INSTRUMENTS (continued)		
Bank and Cash Balances		
ABSA Bank Ltd	(532,876)	3,509,821
First National Bank	2,582	2,523
Nedbank	730,274	6,521,164
Standard Bank	84,071	604,940
Cash Equivalents	1,400	1,400
Total Bank and Cash Balances	285,450	10,639,847

Credit quality of Financial Assets:
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables		
Group 1	1,164	1,164
Group 2	-	-
Group 3	-	-
Total Long-term Receivables	1,164	1,164
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	8,160,389	36,799,551
Group 2	6,911,662	50,426,120
Group 3	60,737,390	21,859,959
Total Receivables from Exchange Transactions	75,809,441	109,085,630
Receivables from Non-exchange Transactions		
Group 1	1,646,289	1,191,584
Group 2	1,654,229	10,003,596
Group 3	10,100,378	1,224,543
Total Receivables from Non-exchange Transactions	13,400,895	12,419,723

Credit quality Groupings:
Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.
Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.
Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

	2014 R	2013 R

51. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)

SAMWU Pension Fund:
The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2 445,9 (30 June 2005: R1 511,5) million, with funding levels of 100,0% (30 June 2009: 100,0%). The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

52. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

52.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Manuel MF	Director	Institute of Municipal Finance Officers (section 21 company)

52.2 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Total Charges R
30 June 2014				
Councillors	36,318	66,525	8,759	111,602
Municipal Manager and Section 57 Personnel	24,323	42,608	8,848	75,778
Total Services	**60,640**	**109,133**	**17,607**	**187,380**
30 June 2013				
Councillors	26,138	58,714	376	85,228
Municipal Manager and Section 57 Personnel	23,640	38,630	8,712	70,981
Total Services	**49,777**	**97,344**	**9,088**	**156,209**

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

52.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

52.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Managment, to the Annual Financial Statements.

52.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

	2014 R	2013 R

51. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)

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	2014 R	2013 R
53. CONTINGENT LIABILITIES		
(i) Telkom:	-	60,000

The Municipality has been summonsed for an amount of R35 568. This matter was resolved during the year, resulting in the Municipality's insurer settling the settled amount. No legal costs were incurred.

(ii) Landfill Sites:	-	-

The Municipality has three active landfill sites. It has been identified that the landfill sites situated in Britstown and Hanover are not licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).

In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.

The necessary steps have been taken by the Municipality to obtain the required permits and licenses and the process has been started.

(iii) Department of Safety and Liaison: Motor Registration Fees	1,355,739	1,355,739

The Municipality received correspondence from the Department of Safety and Liaison (DSL) informing us that the Municipality owes the DSL outstanding amounts for Motor Registration Fees. The amount that DSL claims that the Municipality owes, amounted to R1 355 739.

The Municipality is disputing this claim as it has made regular and continuous payments to the DSL. Motor registration fees were deposited directly into the bank account of DSL.

The Chief Financial Officers and delegations of both the EM and DSL met and agree that a proper investigation should be conducted into these claims of outstanding fees.

To date the investigation has not taken place and will be conducted before the end of the 2014/2015 financial year of DSL. A complete report will be prepared after the investigation has been completed.

The amount of R1 355 739 that the DSL claims that the Municipality owes them has therefore not yet been substantiated and the exact amount will only be determined once the investigation has been completed.

54. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

55. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance.

56. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

57. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2014.

58. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 40) and Prior Period Errors (Note 41).

	2014 R	2013 R

59. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 29 May 2013 the Council adopted the 2013/14 to 2014/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

60. NON-COMPLIANCE WITH TO THE MUNICIPAL FINANCE MANAGEMENT ACT

Non Compliance to the following sections of chapters of the MFMA :

Chapter	Section	Sub-section	Detail of non-compliance
8	65	(2)e	Payments not made within 30 days.

APPENDIX A
EMTHANJENI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 1 July 2013	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2014
	R				R	R	R	R
ANNUITY LOANS								
DBSA	1,809,999	10.00%	1150 563	3/31/2016	577,634	-	(174,101)	403,533
DBSA	4,981,693	12.00%	1150 566	3/31/2017	2,398,408	-	(499,275)	1,899,134
ABSA	9,000,000	9.00%	30 3336 7955	3/31/2016	5,516,580	-	(1,830,343)	3,686,237
Total Annuity Loans	**15,791,692**				**8,492,623**	**-**	**(2,503,719)**	**5,988,904**
TOTAL EXTERNAL LOANS	**15,791,692**				**8,492,623**	**-**	**(2,503,719)**	**5,988,904**

ANNUITY LOANS:

DBSA loan (1150 563):

Structured unsecured 20 year loan for the funding of the De Aar/Nonzwakazi Bulk & Internal Electrical Supply. Original loan capital of R1 809 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest of R111 047.

DBSA loan (1150 566):

Structured unsecured 20 year loan for the funding of the De Aar/Nonzwakazi Bulk & Internal Electrical Supply. Original loan capital of R4 981 693 is repayable semi-annually in fixed instalments of capital and fixed rate interest of R375 077.

ABSA loan (30 3336 7955):

Structured secured 5 year loan for the purchase of vehicles. Original loan capital of R9 000 000 is repayable monthly in fixed instalments of capital and fixed rate interest of R194 352.

Note: The rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Land and Buildings										
Land	16,162,521	-	-	-	16,162,521	-	-	-	-	16,162,521
Building	262,427,892	264,643	235,000	-	262,927,535	128,057,687	11,020,912	-	139,078,599	123,848,936
	278,590,413	**264,643**	**235,000**	**-**	**279,090,056**	**128,057,687**	**11,020,912**	**-**	**139,078,599**	**140,011,457**
Infrastructure										
Electricity:										
Electricity Network	220,384,653	1,225,069	-	-	221,609,722	131,434,760	8,683,878	-	140,118,638	81,491,084
Solid Waste										
Landfill Site	2,683,331	-	-	-	2,683,331	178,889	89,444	-	268,333	2,414,998
Sanitation:										
Sewer	103,032,039	-	506,301	-	103,538,340	58,775,095	3,061,926	-	61,837,020	41,701,320
Storm Water										
Storm Water Network	408,519,193	1,088,873	-	-	409,608,066	231,252,338	8,172,195	-	239,424,533	170,183,533
Roads:										
Roads Network	815,284,001	-	14,767,018	-	830,051,019	473,562,056	19,026,805	-	492,588,861	337,462,158
Water:										
Water Network	310,523,430	1,680,940	-	-	312,204,370	172,656,288	14,718,860	-	187,375,148	124,829,222
	1,860,426,647	**3,994,882**	**15,273,319**	**-**	**1,879,694,848**	**1,067,859,426**	**53,753,108**	**-**	**1,121,612,534**	**758,082,314**
Other Assets										
Computer Equipment										
Computer Hardware	2,664,032	381,405	-	(452,591)	2,592,846	1,856,490	242,264	(380,354)	1,718,400	874,446
Transport Assets										
Bicycles	2,400	-	-	-	2,400	922	165	-	1,086	1,314
Motor Vehicles	3,471,735	656,684	-	-	4,128,419	1,302,347	319,426	-	1,621,773	2,506,646
Trailers and Accessories	271,890	-	-	(23,379)	248,511	91,152	30,070	(11,446)	109,776	138,735
Trucks	5,060,306	302,000	-	(135,886)	5,226,420	1,336,382	398,635	(60,838)	1,674,180	3,552,240
Furniture and Office Equipment:										
Advertising Boards	3,341,747	455	-	-	3,342,202	562,861	333,717	-	896,578	2,445,624
Air Conditioners Individual Fixed And Movable	448,072	41,316	-	(60,500)	428,888	221,884	80,127	(48,655)	253,355	175,533
Domestic and Hostel Furniture	61,825	-	-	(2,798)	59,027	28,957	5,401	(1,115)	33,243	25,784
Fixtures and Fittings	510,748	-	-	-	510,748	313,673	37,165	-	350,838	159,910
Office Equipment Including Fax Machines	849,910	10,882	-	(40,654)	820,139	538,932	59,051	(33,577)	564,406	255,733
Office Furniture	3,643,070	42,095	-	(226,052)	3,459,113	2,176,507	334,736	(188,550)	2,322,692	1,136,421
Machinery and Equipment:										
Audiovisual Equipment	302,040	9,997	-	(41,148)	270,889	162,206	36,847	(33,247)	165,806	105,083
Domestic Equipment (Non Kitchen Appliances)	128,173	5,067	-	(6,331)	126,909	98,262	8,459	(5,993)	100,728	26,181
Electric Wire And Power Distribution Equipment	150,366	-	-	(7,392)	142,974	84,447	13,404	(5,988)	91,863	51,111
Fire Arms	92,848	-	-	-	92,848	19,912	16,713	-	36,625	56,223
Fire Fighting Equipment	97,515	-	-	(26,775)	70,740	76,971	7,526	(24,098)	60,400	10,340

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Gardening Equipment	146,790	-	-	(3,290)	143,500	92,550	20,026	(2,961)	109,615	33,886
Kitchen Appliances	162,689	4,863	-	(17,391)	150,160	102,824	18,081	(14,895)	106,009	44,152
Laboratory Equipment Agricultural	9,300	-	-	-	9,300	5,198	911	-	6,108	3,192
Laboratory Equipment Medical Testing	5,993	-	-	-	5,993	4,621	428	-	5,049	944
Machines for Textile Production	1,393	-	-	-	1,393	627	125	-	752	641
Medical and Allied Equipment	36,098	-	-	(2,932)	33,166	18,076	4,238	(2,375)	19,940	13,226
Meters Prepaid	34,819	-	-	(6,964)	27,855	24,011	3,501	(5,896)	21,616	6,239
Music Instruments	130,000	-	-	-	130,000	58,500	11,700	-	70,200	59,800
Pumps, Plumbing, Purification, Sanitation and Allied Equipm	616,998	-	-	-	616,998	397,278	36,389	-	433,667	183,331
Radio Equipment	58,907	6,498	-	(5,280)	60,125	33,032	7,309	(4,277)	36,064	24,060
Road Construction And Maintenance Equipment	5,245,337	18,930	-	(165,650)	5,098,617	1,415,882	472,545	(126,965)	1,761,462	3,337,155
Security and Access Control Units	129,179	-	-	-	129,179	25,947	17,239	-	43,186	85,993
Telecommunication Equipment	534,894	-	-	-	534,894	448,168	10,550	-	458,718	76,176
Workshop Equipment and Loose Tools Fixed	96,152	-	-	(20,972)	75,180	60,982	8,815	(16,987)	52,809	22,371
Workshop Equipment and Loose Tools Movable	1,128,661	209,413	-	(35,694)	1,302,381	827,977	87,234	(30,124)	885,087	417,293
	29,433,886	1,689,606	-	(1,281,678)	29,841,814	12,387,574	2,622,799	(998,342)	14,012,032	15,829,782
Total	2,168,450,947	5,949,131	15,508,319	(1,281,678)	2,188,626,718	1,208,304,687	67,396,819	(998,342)	1,274,703,164	913,923,554

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014
ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2014

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Investment Property										
Land	5,004,000	-	-	-	5,004,000	-	-	-	-	5,004,000
	5,004,000	-	-	-	5,004,000	-	-	-	-	5,004,000

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Intangible Assets										
Computer Software	1,884,660	92,919	-	-	1,977,579	1,346,612	247,176	-	1,593,787	383,792
	1,884,660	92,919	-	-	1,977,579	1,346,612	247,176	-	1,593,787	383,792
Total Asset Register	2,170,335,607	6,042,049	15,508,319	(1,281,678)	2,190,604,296	1,209,651,298	67,643,994	(998,342)	1,276,296,951	914,307,345

APPENDIX C
EMTHANJENI LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R
Executive and Council	1,059,788	585,487	-	(34,640)	1,610,634	495,999	191,449	(24,143)	663,306	947,328
Finance and Administration	3,262,207	199,452	-	(379,119)	3,082,541	1,686,895	367,248	(317,959)	1,736,184	1,346,357
Planning and Development	278,590,413	264,643	235,000	-	279,090,056	128,057,687	11,020,912	-	139,078,599	140,011,457
Community and Social Services	5,459,468	62,903	-	(306,071)	5,216,300	3,272,757	419,155	(258,635)	3,433,277	1,783,022
Health	132,234	-	-	(17,461)	114,773	88,782	10,497	(13,990)	85,289	29,485
Housing	16,374,870	713,769	-	(535,041)	16,553,598	5,798,028	1,370,059	(376,269)	6,791,818	9,761,780
Roads and Transport	395,102,500	127,996	15,273,319	(9,346)	410,494,468	232,297,452	8,102,334	(7,346)	240,392,440	170,102,028
Electricity	1,052,152,148	2,313,622	-	-	1,054,465,770	604,997,924	28,042,991	-	633,040,914	421,424,856
Waste Management	105,715,370	-	-	-	105,715,370	58,953,983	3,151,370	-	62,105,353	43,610,017
Water	310,601,948	1,681,260	-	-	312,283,208	172,655,181	14,720,803	-	187,375,983	124,907,224
Total	**2,168,450,947**	**5,949,131**	**15,508,319**	**(1,281,678)**	**2,188,626,718**	**1,208,304,687**	**67,396,819**	**(998,342)**	**1,274,703,164**	**913,923,554**

APPENDIX D
EMTHANJENI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2012/2013 Actual Income	2012/2013 Actual Expenditure	2012/2013 Surplus/ (Deficit)	Description	2013/2014 Actual Income	2013/2014 Actual Expenditure	2013/2014 Surplus/ (Deficit)
R	R	R		R	R	R
5,410,411	(18,851,878)	(13,441,467)	Executive and Council	5,435,955	(15,184,527)	(9,748,572)
36,636,996	(23,650,421)	12,986,574	Finance and Administration	38,013,236	(29,224,158)	8,789,078
745,788	(17,171,398)	(16,425,610)	Planning and Development	1,234,627	(18,440,260)	(17,205,634)
-	(79,492)	(79,492)	Health	-	(74,729)	(74,729)
1,394,429	(5,894,661)	(4,500,232)	Community and Social Services	1,434,627	(25,983,271)	(24,548,644)
1,219,589	(4,842,947)	(3,623,358)	Housing	488,759	(4,087,918)	(3,599,159)
8,489,845	(7,041,403)	1,448,441	Public Safety	25,941,194	(6,584,009)	19,357,185
355,071	(3,299,439)	(2,944,368)	Sport and Recreation	145,443	(3,340,446)	(3,195,003)
-	-	-	Environmental Protection	-	-	-
28,208,577	(18,700,069)	9,508,509	Waste Management	29,854,516	(28,393,167)	1,461,350
3,628,328	(17,490,973)	(13,862,646)	Roads and Transport	13,584,002	(20,576,913)	(6,992,911)
29,105,012	(21,999,822)	7,105,190	Water	25,603,450	(32,682,715)	(7,079,266)
52,351,708	(74,675,636)	(22,323,928)	Electricity	60,589,837	(82,530,035)	(21,940,198)
-	(1,290,049)	(1,290,049)	Other	-	(1,616,980)	(1,616,980)
167,545,754	**(214,988,188)**	**(47,442,435)**	**Total**	**202,325,646**	**(268,719,129)**	**(66,393,483)**

APPENDIX E(1)
EMTHANJENI LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/2014 Actual	2013/2014 Budget	2013/2014 Variance	2013/2014 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	20,917,831	21,373,199	(455,368)	-2%	
Property Rates - Penalties imposed and collection charg	149,924	101,000	48,924	48%	The Property Rates - Penalties is budgeted for with Interest Received. The current classification in the Annual Financial Statements is a GRAP requirement and has therefore been split as such.
Fines	24,425,055	4,778,600	19,646,455	411%	For the 2013/2014 financial year, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.
Licences and Permits	1,304,582	1,229,943	74,639	6%	
Government Grants and Subsidies	58,556,675	53,377,000	5,179,675	10%	
Service Charges	91,654,816	96,814,993	(5,160,177)	-5%	
Rental of Facilities and Equipment	721,563	529,267	192,296	36%	The municipality generated more revenue than budgeted for.
Interest Earned - External investments	1,030,475	792,983	237,492	30%	Improved cash management and diversification of available cash. This is supported in the increase in the Cash and Cash Equivalents balance.
Interest Earned - Outstanding debtors	625,352	639,120	(13,768)	-2%	
Other Income	2,971,628	2,453,317	518,311	21%	In the 2011/2012 financial year, preliminary figures showed a decrease in the provision for doubtful debt (reversal). This was taken into account during the preparation of the 2013/2014 budget as the 2012/2013 provision (and relating entities) were not calculated (and processed). This did however not realise and resulted in the material fluctuation. Furthermore, the revenue generated from
Other Gains on Continued Operations	7,108	-	7,108	100%	Due to the fair value adjustment made to Non-current Investments which were not anticipated and budgeted for.
Gains on Disposal of Property, Plant and Equipment	164,093	80,000	84,093	105%	The proceeds generated by the auctions, together with the proceeds obtained during a trade-in of a municipal vehicle, resulted in the budgeted figures being supassed.
Total Revenue	**202,529,102**	**182,169,422**	**20,359,680**	**11%**	
EXPENDITURE					
Employee Related Costs	59,893,633	61,716,478	(1,822,845)	-3%	
Remuneration of Councillors	4,157,184	3,716,624	440,560	12%	
Collection Costs	-	1,696,003	(1,696,003)	-100%	No collection costs were paid during the year.
Depreciation	67,643,995	8,469,169	59,174,826	699%	Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.
Impairment Losses	53,425,436	8,627,155	44,798,281	519%	The provision for doubtful debt significantly increased duing the year, due to the weaker payment (receipt) ratios calculated on each individual debtor.
Repairs and Maintenance	12,197,863	19,688,920	(7,491,057)	-38%	Less expenditure weer incurred, due to cash control procedures implemented.
Interest Paid	855,123	1,029,649	(174,526)	-17%	Due to significant decrease in the long-term liabilities.
Bulk Purchases	43,535,580	42,004,725	1,530,855	4%	
Contracted Services	6,985,177	7,134,019	(148,842)	-2%	
Grants and Subsidies Paid	207,800	14,908,311	(14,700,511)	-99%	The budgeted figure includes all capital expenditure, which has been reclassified to the correct financial statement line items.
General Expenses	19,750,677	23,534,696	(3,784,019)	-16%	Less expenditure weer incurred, due to cash control procedures implemented.
Loss on disposal of Property, Plant and Equipment	-	-	-	0%	
Loss on Sale of Land	203,456	-	203,456	100%	The Municipality conducted a full land audit (please see the explanation included in the Inventory line item). During the year, a number of properties were transferred to buyers.
Inventory Written-off	66,661	-	66,661	100%	The amount written-off is immaterial and therefore management did not budget for it.
Total Expenditure	**268,922,584**	**192,525,749**	**76,396,835**	**40%**	
NET SURPLUS / (DEFICIT) FOR THE YEAR	**(66,393,482)**	**(10,356,327)**	**(56,037,155)**	**84%**	

APPENDIX E(1)
EMTHANJENI LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/2013 Actual	2012/2013 Budget	2012/2013 Variance	2012/2013 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	17,220,134	17,888,000	(667,866)	-4%	
Property Rates - Penalties imposed and collection charg	102,997	-	102,997	100%	The Property Rates - Penalties is budgeted for with Interest Received. The current classification in the Annual Financial Statements is a GRAP requirement and has therefore been split as such.
Fines	4,986,790	7,025,473	(2,038,683)	-29%	The DPP withdrew the approval certificate for TVS to operate the speed cameras, resulting in the significant decrease in comparison to management's expectations.
Licences and Permits	1,201,492	1,160,316	41,176	4%	
Government Grants and Subsidies	54,961,467	55,447,000	(485,533)	-1%	
Service Charges	79,889,148	75,156,550	4,732,598	6%	
Rental of Facilities and Equipment	946,889	499,305	447,584	90%	The municipality is leasing a property to Mainstream for operational purposes. Although the lease has not been concluded, the company has occupied the property and has paid for the rental thereof.
Interest Earned - External investments	1,594,930	945,000	649,930	69%	Improved cash management and diversification of available cash. This is supported in the increase in the Cash and Cash Equivalents balance.
Interest Earned - Outstanding debtors	493,738	741,126	(247,388)	-33%	Less interest on outstanding debtors were generated than expected.
Other Income	4,241,129	15,658,942	(11,417,813)	-73%	In the previous financial year, preliminary figures showed a decrease in the provision for doubtful debt (reversal). This was taken into account (supported by the budgeted amount in the Receivables). This did however not realise and resulted in the material fluctuation. Furthermore, the revenue generated from prepaid electricity has been correctly classified.
Other Gains on Continued Operations	1,907,040	-	1,907,040	100%	Due to the fair value adjustment made to Investment Property and Non-current Investments which were not anticipated and budgeted for.
Profit on Sale of Land	319,091	100,000	219,091	219%	
Total Revenue	**167,864,845**	**174,621,712**	**(6,756,867)**	**-4%**	
EXPENDITURE					
Employee Related Costs	56,448,872	53,433,861	3,015,011	6%	
Remuneration of Councillors	3,693,580	3,503,047	190,533	5%	
Collection Costs	66,492	-	66,492	100%	A contract was concluded with an supplier to recover outstanding debt. The amount was however budgeted for under Contracted Services.
Depreciation	68,781,918	7,924,058	60,857,860	768%	Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.
Impairment Losses	6,872,760	6,993,080	(120,320)	-2%	
Repairs and Maintenance	11,974,489	11,017,095	957,394	9%	
Interest Paid	1,041,433	1,121,417	(79,984)	-7%	
Bulk Purchases	38,781,485	41,440,000	(2,658,515)	-6%	
Contracted Services	7,257,409	6,492,652	764,757	12%	
Grants and Subsidies Paid	304,870	10,712,190	(10,407,320)	-97%	The budgeted figure includes all capital expenditure, which has been reclassified to the correct financial statement line items.
General Expenses	19,968,729	22,705,925	(2,737,196)	-12%	
Loss on disposal of Property, Plant and Equipment	75,338	-	75,338	100%	A number of assets could not be verified during the asset verification and was therefore written-off.
Loss on Sale of Land	-	-	-	0%	
Inventory Written-off	39,905	-	39,905	100%	The amount written-off is immaterial and therefore management did not budget for it. This decrease in the loss from previous financial years is the result of better controls implemented at the stores.
Total Expenditure	**215,307,280**	**165,343,325**	**49,963,955**	**30%**	
NET SURPLUS / (DEFICIT) FOR THE YEAR	**(47,442,435)**	**9,278,387**	**(56,720,822)**	**120%**	

APPENDIX E(2)
EMTHANJENI LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/2014 Actual	2013/2014 Under Construction	2013/2014 Total Additions	2013/2014 Budget	2013/2014 Variance	2013/2014 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	%	
Executive and Council	585,487	-	585,487	498,000	87,487	18%	
Finance and Administration	199,452	-	199,452	1,959,000	(1,759,548)	-90%	
Planning and Development	264,643	235,000	499,643	11,844,000	(11,344,357)	-96%	
Community and Social Services	62,903	-	62,903	744,000	(681,097)	-92%	
Health	-	-	-	21,000	(21,000)	-100%	Overall, the fluctuations amounted to +/- 3%. Although the budgeted amounts made provision for costs to be incurred in more departments, these funds were used to, mainly, finance the roads and stormwater project currently in progress at yearend.
Housing	713,769	-	713,769	510,000	203,769	40%	
Sport and Recreation	-	-	-	101,000	(101,000)	-100%	
Roads and Transport	127,996	15,273,319	15,401,315	3,219,000	12,182,315	378%	
Electricity	2,313,622	-	2,313,622	505,000	1,808,622	358%	
Waste Management	-	-	-	357,000	(357,000)	-100%	
Water	1,681,260	-	1,681,260	1,076,000	605,260	56%	
Total	**5,949,131**	**15,508,319**	**21,457,449**	**20,834,000**	**623,449**	**3%**	

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/2013 Actual	2012/2013 Under Construction	2012/2013 Total Additions	2012/2013 Budget	2012/2013 Variance	2012/2013 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	%	
Executive and Council	52,995	-	52,995	209,000	(156,005)	-75%	
Finance and Administration	554,419	-	554,419	1,623,103	(1,068,684)	-66%	
Planning and Development	557,224	502,408	1,059,632	18,900	1,040,732	5507%	
Housing	141,639	-	141,639	20,225	121,414	600%	
Community and Social Services	136,034	-	136,034	1,107,944	(971,910)	-88%	Management expected that more capital projects would be conducted and completed during the year (this is supported by the fluctuation identified in the Unspent Conditional Grants). Due to unforeseen circumstances, projects were not completed resulting in the significant decrease.
Public Safety	412	-	412	420,000	(419,588)	-100%	
Sport and Recreation	-	-	-	94,944	(94,944)	-100%	
Waste Management	-	-	-	5,852,000	(5,852,000)	-100%	
Roads and Transport	19,841	6,803,485	6,823,327	3,461,393	3,361,934	97%	
Water	-	649,820	649,820	10,194,854	(9,545,034)	-94%	
Electricity	400,840	3,884,035	4,284,875	412,200	3,872,675	940%	
Total	**1,863,405**	**11,839,748**	**13,703,153**	**23,414,563**	**(9,711,410)**	**-41%**	

APPENDIX F
EMTHANJENI LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Payments				Grants Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	13,007,000	10,607,000	9,705,000	1,500,000	8,704,750	8,704,750	8,704,750	8,704,750	-	-	-	-	N/a	Yes	N/a
FMG	Nat Treasury	1,550,000	-	-	-	112,418	371,075	491,817	574,690	-	-	-	-	N/a	Yes	N/a
MIG Projects	Nat Treasury	3,824,000	-	8,000,000	-	1,447,470	1,015,527	2,782,353	9,117,057	1,500,000	-	-	-	Note 1 below	Yes	N/a
MSIG	Nat Treasury	890,000	-	-	-	421,436	468,564	-	-	-	-	-	-	N/a	Yes	N/a
DWAF	DWAF	376,694	218,225	1,470,885	-	157,881	1,165,476	723,427	3,400	-	-	-	-	N/a	Yes	N/a
Education	Province	-	1,500,000	-	-	-	-	267,900	-	-	-	-	-	N/a	Yes	N/a
EPWP Incentive Grant	Province	400,000	300,000	300,000	-	220,383	419,256	360,361	-	-	-	-	-	N/a	Yes	N/a
Nonzwakazi Revitalization	Province	-	-	-	-	1,021,869	346,725	190,428	383,664	-	-	-	-	N/a	Yes	N/a
Hospital Electricity Line	Province	-	-	-	1,500,000	-	1,311,379	-	-	-	-	-	-	N/a	Yes	N/a
Dept of Roads	Province	-	-	-	560,000	-	-	-	560,000	-	-	-	-	N/a	Yes	N/a
Library	Province	679,000	-	-	-	679,000	-	-	-	-	-	-	-	N/a	Yes	N/a
Housing Accreditation	Province	-	-	-	458,333	-	-	-	458,333	-	-	-	-	N/a	Yes	N/a
Project Nala	Province	-	-	-	-	-	-	-	-	-	-	-	-	N/a	Yes	N/a
Fire Fighting Equipment	Province	-	-	-	-	-	-	-	-	-	-	-	-	N/a	Yes	N/a
Phandulwazi Updgrade	Province	-	-	-	-	-	-	-	-	-	-	-	-	N/a	Yes	N/a
Total Grants and Subsidies Received		**20,726,694**	**12,625,225**	**19,475,885**	**4,018,333**	**12,765,207**	**13,802,752**	**13,521,037**	**19,801,895**	**1,500,000**	-	-	-			

Note 1: Municipal Finance Management Grant withheld

During the 2013/2014 financial year, National Treasury withheld R1 500 000 from the Municipality, by way of the Equitable Share allocation. This was done to recover unspent Municipal Infrastructure Grant funds.

APPENDIX G
EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2014

Incumbent	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remunerat
	R	R	R	R	R	R	R
Mayor							
Sthonga ST	476,510	-	181,025	5,113	-	-	662,6
Speaker							
Freddie MM	322,325	-	152,087	66,814	-	-	541,2
Other Councillors							
Kivedo MC	124,203	-	70,525	22,754	-	-	217,4
Jood J	107,285	-	70,436	40,330	-	-	218,0
Jonas VG	123,973	-	70,527	22,752	-	-	217,2
Thomas NS	145,341	-	70,527	1,627	-	-	217,4
Du Plessis WJ	123,973	-	70,530	22,741	-	-	217,2
Nyl GL	170,277	-	88,631	31,230	-	-	290,1
Nkumbi GL	123,973	-	70,444	22,740	-	-	217,1
Witbooi WA	123,973	-	70,527	22,741	-	-	217,2
Jaftha AF	170,277	-	88,631	31,229	-	-	290,1
Swanepoel B	158,957	-	80,835	29,127	-	-	268,9
Malherbe M	123,973	-	70,444	22,741	-	-	217,1
Rust HJ	143,784	-	40,245	33,146	-	-	217,1
Total for Councillors	**2,438,823**	**-**	**1,195,412**	**375,086**	**-**	**-**	**4,009,3**
Municipal Manager							
Visser I	741,444	147,037	247,008	138,842	-	87,070	1,361,4
Chief Financial Officer							
Manuel MF	642,000	151,471	262,708	125,911	-	12,111	1,194,2
Director: Corporate Services							
Diamane EV	457,414	72,950	128,090	135,015	-	18,973	812,4
Director: Community and Development Services							
Jack MR	512,000	-	155,520	99,634	15,018	63,983	846,1
Director: Infrastructure and Technical Services							
Makaleni DV	409,500	34,125	119,462	81,764	30,576	-	675,4
Taljaard FD	110,237	69,011	25,970	20,934	-	1,043	227,1
Total for Senior Managers	**2,872,595**	**474,594**	**938,759**	**602,101**	**45,594**	**183,180**	**5,116,8**
Total for Management	**5,311,418**	**474,594**	**2,134,171**	**977,187**	**45,594**	**183,180**	**9,126,1**

APPENDIX G
EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2013

Incumbent	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remunera
	R	R	R	R	R	R	R
Mayor							
Sthonga ST	458,558	-	169,375	24	-	-	627,9
Speaker							
Freddie MM	310,064	-	139,808	59,931	-	-	509,8
Other Councillors							
Kivedo MC	118,483	-	58,576	20,313	-	-	197,3
Jood J	118,483	-	58,576	20,313	-	-	197,3
Jonas VG	118,483	-	58,576	20,313	-	-	197,3
Thomas NS	138,779	-	58,576	18	-	-	197,3
Du Plessis WJ	118,483	-	58,580	20,298	-	-	197,3
Nyl GL	162,223	-	75,207	27,930	-	-	265,3
Nkumbi GL	118,483	-	58,576	20,313	-	-	197,3
Witbooi WA	118,483	-	58,576	20,313	-	-	197,3
Jaftha AF	122,085	-	59,992	20,968	-	-	203,0
Swanepoel B	121,205	-	59,646	20,802	-	-	201,6
Malherbe M	156,219	-	64,998	23,259	-	-	244,4
Rust HJ	176,206	-	53,039	30,448	-	-	259,6
Total for Councillors	**2,356,239**	**-**	**1,032,100**	**305,240**	**-**	**-**	**3,693,5**
Municipal Manager							
Visser I	610,943	134,211	180,285	109,251	128,578	103,993	1,267,2
Chief Financial Officer							
Manuel MF	575,356	322,774	81,297	102,216	191,760	13,318	1,286,7
Director: Corporate Services							
Diamane EV	428,915	91,132	122,724	119,842	-	17,722	780,3
Director: Infrastructure and Technical Services							
Taljaard FD	632,835	94,418	127,589	113,402	93,412	6,253	1,067,9
Total for Senior Managers	**2,248,050**	**642,535**	**511,895**	**444,711**	**413,750**	**141,287**	**4,402,2**
Total for Management	**4,604,289**	**642,535**	**1,543,995**	**749,951**	**413,750**	**141,287**	**8,095,8**

APPENDIX H
EMTHANJENI LOCAL MUNICIPALITY
RATIO ANALYSIS

30 June 2014

	RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS " R 000 "	MUNICIPAL COMMENTS
1. FINANCIAL POSITION					
A. Asset Management/Utilisation					
1	Capital Expenditure to Total Expenditure	10% - 20%			The municipality has a R2.4 million unspent MIG grant, which should have realised if the projects were completed and/or work performed. This would have resulted in the required norm being met.
			Total Operating Expenditure	268,922,584	
			Taxation Expense	-	
			Total Capital Expenditure	21,550,288	
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%			Within the required norm.
			PPE, Investment Property and Intangible Impairment	-	
			PPE at carrying value	913,923,422	
			IP at carrying value	5,004,000	
			Intangible Assets at carrying value	383,792	
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%			The municipality has invested a substantial amount of funds in new infrastructure over the past few years. This has resulted in less repairs and maintenance being required over these assets (especially infrastructure assets) to ensure service delivery.
			Total Repairs and Maintenance Expenditure	12,197,863	
			PPE at carrying value	913,923,422	
			Investment Property at Carrying value	5,004,000	
B. Debtors Management					
1	Collection Rate	95%			The collection rate is lower than management's goal. In order to increase this ratio, management has appointed service providers to develop, implement and manage a system of Revenue Enhancement. The project is set to start in the 2014/2015 financial year.
			Gross Debtors closing balance	75,809,441	
			Gross Debtors opening balance	80,607,597	
			Bad debts written Off	19,477,908	
			Billed Revenue	91,654,816	
2	Bad Debts Written-off as % of Provision for Bad Debt	100%			Within the required norm.
			Consumer Debtors Bad debts written off	19,477,908	
			Consumer Debtors Current bad debt Provision	(45,320,780)	
3	Net Debtors Days	30 days			The net debtor days supports the need for a Revenue Enhancement Strategy and Implementation Plan, as well as the need to enhance the efforts of revenue collection through alternative means.
			Gross debtors	75,809,441	
			Bad debts Provision	45,320,781	
			Billed Revenue	91,654,816	
C. Liquidity Management					
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months			This is the result of major creditors being paid prior to yearend, including Eskom. This ration will significantly improve in the coming months, especially summer months were the municipality is able to generate substantially more profit.
			Cash and cash equivalents	12,210,203	
			Unspent Conditional Grants	6,837,471	
			Overdraft	11,924,753	
			Short Term Investments	-	
			Total Annual Operational Expenditure	159,169,934	
2	Current Ratio	1.5 - 2:1			Within the required norm.
			Current Assets	117,736,497	
			Current Liabilities	38,764,946	
D. Liability Management					
1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%			Within the required norm.
			Interest Paid	855,123	
			Redemption	-	
			Total Operating Expenditure	159,169,934	
			Taxation Expense	-	
2	Debt (Total Borrowings) / Revenue	45%			Within the required norm.
			Total Debt	15,155,681	
			Total Operating Revenue	202,529,102	
			Operational Conditional Grants	58,556,675	

APPENDIX H
EMTHANJENI LOCAL MUNICIPALITY
RATIO ANALYSIS

30 June 2014

	RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS " R 000 "	MUNICIPAL COMMENTS
E. Sustainability					
1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	Cash and cash Equivalents	12,210,203	Currently, the municipality does not make use of 'reserve-accounting'. The significant Accumulated Surplus balance is attributable to the introduction of GRAP, and especially GRAP 17: *Property, Plant and Eulpment,* which required the municipality to measure and value all assets (including land, buildings and infrastructure assets). From the information presented, it is clear that sufficient investments exists to back the unspent conditional grant portion presented in the Annual Financial Statements.
			Bank Overdraft	11,924,753	
			Short Term Investment	-	
			Long Term Investment	21,088	
			Unspent Grants	6,837,471	
			Net Assets	954,480,039	
			Share Premium	-	
			Share Capital	-	
			Revaluation Reserve	-	
			Fair Value Adjustment Reserve	-	
			Accumulated Surplus	954,480,039	
2. FINANCIAL PERFORMANCE					
A. Efficiency					
1	Net Operating Surplus Margin	= or > 0%	Total Operating Revenue	202,529,102	The deficit is the result of the annua depreciation expense and the significant increase in the provision for doubtful debt.
			Depreciation - Revalued Portion	-	
			Total Operating Expenditure	268,922,584	
			Taxation Expense	-	
2	Net Surplus /Deficit Electricity	0% - 15%	Total Electricity Revenue	56,487,600	The municipality has been able to generate more profit through the sale of electricity, than the required norm with the environment.
			Total Electricity Expenditure	42,152,616	
3	Net Surplus /Deficit Water	= or > 0%	Total Water Revenue	18,745,519	Within the required norm.
			Total Water Expenditure	1,382,964	
4	Net Surplus /Deficit Refuse	= or > 0%	Total Refuse Revenue	5,705,360	Within the required norm.
			Total Refuse Expenditure		
5	Net Surplus /Deficit Sanitation and Waste Water	= or > 0%	Total Sanitation and Water Waste Revenue	10,301,577	Within the required norm.
			Total Sanitation and Water Waste Expenditure		
B. Distribution Losses					
1	Electricity Distribution Losses (Percentage)	7% - 10%	Number of units purchased and/or generated	57,021,523	The distribution losses are outside the normal norm. Management has implemented processes to identify the reason for the losses.
			Number of units sold	44,956,334	
2	Water Distribution Losses (Percentage)	15% - 30%	Number of kilolitres purchased and/or purified	1,814,390	The distribution losses are outside the normal norm. Management has implemented processes to identify the reason for the losses.
			Number of kilolitres sold	1,162,846	
C. Revenue Management					
1	Revenue Growth (%)	= CPI	CPI	7%	Within the required norm.
			Total Revenue (Previous)	167,864,845	
			Total Revenue (Current)	202,529,102	
2	Revenue Growth (%) - Excluding capital grants	= CPI	CPI	6%	Within the required norm.
			Total Revenue Ex.Capital (Previous)	112,903,378	
			Total Revenue Ex.Capital (Current)	143,972,427	

APPENDIX H
EMTHANJENI LOCAL MUNICIPALITY
RATIO ANALYSIS

30 June 2014

	RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS " R 000 "	MUNICIPAL COMMENTS
D. Expenditure Management					
1	Creditors Payment Period (Trade Creditors)	30 days		1 days	Within the required norm.
			Trade Creditors	66,037	
			Contracted Services	6,985,177	
			Repairs and Maintenance	12,197,863	
			General expenses	19,750,677	
			Bulk Purchases	43,535,580	
			Capital Credit Purchases *(Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment)*	21,550,288	
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		39%	The main contributor is the overspending of votes, mainly due non-cash items such as the provision for doubtful debt and depreciation expense. Furthermore, certain weaknesses exists with the execution of the SCM Policy, resulting in irregular expenditure.
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	104,384,936	
			Total Operating Expenditure	268,922,584	
			Taxation Expense	-	
3	Remuneration as % of Total Operating Expenditure	25% - 40%		23%	Within the required norm.
			Employee/personnel related cost	59,893,633	
			Councillors Remuneration	4,157,184	
			Total Operating Expenditure	268,922,584	
			Taxation Expense	-	
4	Contracted Services % of Total Operating Expenditure	2% - 5%		3%	Within the required norm.
			Contracted Services	6,985,177	
			Total Operating Expenditure	268,922,584	
			Taxation Expense	-	
E. Grant Dependancy					
1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		673%	It is evident from ths ratio, that the municiplaity will be able to finance the capital required to ensure that service delivery is maintained in the municipal area. This supports the going concern assumption.
			Internally generated funds	139,023,846	
			Borrowings	5,988,903	
			Total Capital Expenditure	21,550,288	
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		645%	It is evident from ths ratio, that the municiplaity will be able to finance the capital required to ensure that service delivery is maintained in the municipal area. This supports the going
			Internally generated funds	139,023,846	
			Total Capital Expenditure	21,550,288	
3	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None		71%	Currently, 'own source' revenue is in excess of 66% of the total revenue generated. This is a clear indicator that the municipality does not rely heavily on government funding and is a going conern.
			Total Revenue	202,529,102	
			Government grant and subsidies	58,556,675	
			Public contributions and Donations	-	
			Capital Grants	-	
3. BUDGET IMPLEMENTATION					
1	Capital Expenditure Budget Implementation Indicator	95% - 100%		103%	Although the capital budget was overspent, management is of the opinion that this was required to ensure that the necessary infrastructure is developed for service delivery.
			Actual Capital Expenditure	21,550,288	
			Budget Capital Expenditure	20,834,000	
2	Operating Expenditure Budget Implementation Indicator	95% - 100%		146%	This is the result of the annua depreciation expense and the significant increase in the provision for doubtful debt.
			Actual Operating Expenditure	268,922,584	
			Budget Operating Expenditure	183,695,000	
3	Operating Revenue Budget Implementation Indicator	95% - 100%		104%	In the 2011/2012 financial year, preliminary figures showed a decrease in the provision for doubtful debt (reversal). This was taken into account during the preparation of the 2013/2014 budget as the 2012/2013 provision (and relating entiries) were not calculated (and processed). This did however not realise and
			Actual Operating Revenue	202,529,102	
			Budget Operating Revenue	194,170,000	
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		100%	Within the required norm.
			Actual Service Charges and Property Rates Revenue	112,572,647	
			Budget Service Charges and Property Rates Revenue	113,106,000	